Annual Report 2011

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

'To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls'

Annual Report 2011

Eighty-ninth Annual Report of the Revenue Commissioners for the year ended 31 December 2011, including progress on the implementation of Revenue's Statement of Strategy, in accordance with the Public Service Management Act 1997, presented to the Minister for Finance.

April 2012

Contents

Table Index

Board’s Review of 2011

Strategy

Irish society has undergone seismic change since 2008, with economic upheaval bringing in its wake a broad spectrum of social and financial consequences, including reduced Exchequer returns. The pace and scope of the change have been unparalleled, with entire business sectors, most notably construction and banking, suffering traumatic contraction and citizens experiencing falling living standards.

We have tracked this change closely, constantly modifying our procedures and processes to better deliver on our mission: ‘To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls'. As a further response, we initiated a complete review of our corporate strategy in 2010, involving staff and external stakeholders, to bring our resources and working methods more sharply into line with current circumstances and to take account of likely developments in the medium term. This resulted in our new Statement of Strategy 2011 – 2014 which sets out Revenue’s key corporate objectives in the medium term.

The challenges facing us are multiple and complex. There is significant pressure on tax collection, with many businesses experiencing cash flow and consequent tax payment difficulties. Both shadow economy activity and smuggling threaten jobs, defraud the Exchequer and, in the case of drug and cigarette smuggling, endanger health. At the same time, Public Service reform and the need to deliver with falling resources mean that we have to work more efficiently in all of our operational areas and we have to make informed choices about how and where to deploy our resources.

The overriding priority in our Statement of Strategy 2011 - 2014 is to maintain or improve the level of tax and duty compliance that we have worked hard to achieve over the past decade. We see this as our most important contribution to the Programme for Government, the EU/ECB/IMF Programme and the national objective of economic recovery. A key pillar is a renewed focus on shadow economy activity, which has the potential to undermine the legitimate economy, reduce tax and duty receipts, and impact negatively on competitiveness and jobs.

Loss of staff and of corporate knowledge pose major challenges for us. In 2011, our staffing complement fell by 114 full-time equivalents to 5,962. By 1 March 2012 it had fallen further to 5,732. We are working hard to mitigate the effects of these losses through building the capacity of our staff and through open recruitment.

Throughout 2011, we increased organisational flexibility, efficiency and innovation. We continue to extend the range of electronic services available to our customers and see potential for further development in online operations. The cost of running Revenue fell by almost €10 million over the year.

Collection

Net tax and duty receipts in 2011 increased by 7.3 % to €34.2 billion, reversing three years of falling returns to the Exchequer. Income Tax contributed most to this growth, primarily as a result of measures introduced in Budget 2011, notably the Universal Social Charge which yielded €3.1 billion. Stamp Duty receipts also increased by 45% to €1.4 billion as a result of the temporary levy on pension funds, introduced to fund the jobs initiative.

However, overall tax and duty receipts were €831 million (2.4%) below the target set in Budget 2011, with all three of the major taxes, Income Tax, Corporation Tax and VAT falling short of expectations. The shortfall includes some €250 million for an unprofiled timing delay in December for Corporation Tax, as outlined in Objective 1.1 in the main body of the Report.

Debt Management

Many businesses are experiencing tax payment difficulties and we expect this to continue in 2012. Our twin strategy of balancing enforcement with limited debt rescheduling for viable businesses is delivering results.

The level of outstanding debt stabilised in 2011and is now beginning to decrease. The overall debt reduced from €2,078 million in 2010 to €1,986 million in 2011. When amounts under appeal are excluded, the debt available for collection decreased from €1,389 million in 2010 to €1,317 million in 2011.

All significant debt available for collection in 2011 was the subject of an agreed phased payment arrangement or the subject of enforcement proceedings within one year of the debt arising. We continually urge businesses with cash flow problems to engage with us. Those who refuse are subject to enforcement action. The yield from our collection enforcement programmes in 2011 was €237.8 million.

Compliance

We are determined to maintain high levels of compliance despite the difficult economic circumstances. Our approach of providing quality service while at the same time vigorously pursuing those who do not comply continues to prove effective.

Our selection of cases for intervention is based on risk. Over several years we have developed a Risk Evaluation and Analysis Programme (REAP) that systematically analyses our case base by reference to a range of risk criteria. During 2011, REAP was further developed to enable us to risk-assess PAYE cases. Over 24,000 PAYE claims for tax credits were disallowed, resulting in a saving of €14.6 million.

Despite falling staff numbers, we increased the number of personnel involved in our debt management and compliance operations, a clear example of matching resources to priorities. The payback for this is the fact that we succeeded in maintaining high rates of timely compliance for large, medium and smaller sized cases and we reduced the overall level of tax debt owed to Revenue. We see this as a strong vindication of our focus on maximising compliance right across our customer base.

In 2011, tackling shadow economy activity was a key corporate priority. We focussed on sectors that have traditionally been susceptible to shadow activity, particularly cash businesses. We use a combination of risk analysis, intelligence collation, assurance checks and outdoor operations to combat these activities. Our approach is underpinned by close cooperation and information sharing with the Department of Social Protection (DSP), where we work together to uncover non-declaration or under-declaration of income and/or fraudulent DSP claims.

During the year, our auditors carried out a total of 11,066 audits resulting in a yield of €440.5 million. In addition, 546,502 assurance checks produced a yield of €81.3 million. [Table 15, Audit and Assurance Activity].

The ultimate sanction for non-compliance is prosecution in the Courts. We secured 30 convictions for serious tax and duty evasion, up from 13 in 2010. Eight defendants received prison sentences, ranging from 7 to 36 months. 15 further defendants received suspended custodial sentences.

513 prosecutions for summary offences were also secured, with fines of €1.17 million imposed. In addition, 18 forfeiture orders amounting to €1.46 million were granted by the Circuit Court.

Protecting Society

Revenue is a frontline agency in the fight against smuggling and associated criminal activity. We are constantly mindful of the need to target our interventions to maximum effect while causing minimum disruption to legitimate trade.

Our response to the threat posed by international criminal activity includes promoting cooperation between tax and duty administrations and crime prevention agencies, improving information exchange, and participating in multi-agency operations. For example, our Customs Service carried out 76 controlled delivery operations, involving drugs, illicit medicines and firearms in conjunction with international law enforcement agencies, the Garda Síochána and the Irish Medicines Board. We also worked closely with the Department of Justice and Equality to ensure that relevant criminal justice legislation took account of Revenue's needs in order to enhance our effectiveness in tackling criminal activity.

Tobacco smuggling continues to pose a major threat to the Exchequer and to public health. In all, 10,581 seizures amounting to 109 million cigarettes were made in 2011. 76.6% of all cigarettes seized were found in maritime freight. Six national tobacco blitz-type operations were carried out during the year. Our new 'Strategy on Combating the Illicit Tobacco Trade 2011 – 2013' was published and is underpinned by annual action plans.

The number and value of illicit drug seizures increased substantially in 2011, up 34.7% and 167% respectively. Seizures of cannabis, heroin and cocaine all trended upwards.

Revenue seized over one million litres of mineral oil in 2011. Nine oil laundries were detected, up from 4 in 2010. In July 2011, we introduced new Regulations for licensed mineral oil traders to strengthen the control and supervision of the supply and distribution of fuels. This was followed up by vigorous enforcement action against unlicensed outlets and those in breach of the licensing conditions. This resulted in the closure of 32 filling stations between July and December.

4,166 seizures of counterfeit goods valued at €9 million were made last year, up over 300% on 2010.

Supporting Voluntary Compliance

Making it as easy as possible for our customers to do business with us is essential if we are to optimise voluntary compliance. Revenue has a good track record in this regard - in 2011, for the fifth year running, Ireland was ranked the easiest country in the EU in which to pay business taxes, and the fifth easiest in the world (according to 'Paying Taxes 2012 – The Global Picture', a report by the World Bank and PricewaterhouseCoopers).

A stated objective in our Statement of Strategy 2011 - 2014 is to establish electronic channels as the norm for doing business with us. We have worked hard to make our electronic services attractive and easy to use and this, combined with the extension of mandatory efiling to about 200,000 entities has resulted in substantial increases in the number of customers using these services. A further phase of this project is extending mandatory e-filing and payments to all VAT registered taxpayers in 2012.

Revenue's Online Service (ROS) also provides pre-population of the Income Tax and Corporation return forms with previous year details. This simplifies and speeds up the completion of these annual return forms for all Income Tax and Corporation Tax ROS filers.

Contributing to Economic Development

In addition to administering tax and customs, Revenue has a wider responsibility to contribute to Ireland's economic and social development by helping to create an environment that promotes economic growth, encourages investment and improves competitiveness. Based on our expertise in tax and customs matters we have an important role in providing advice to the Department of Finance and we actively assist in the process of policy formulation in relation to tax policy and legislative developments domestically and at EU and international level.

Among the measures legislated for in 2011were the taxation of civil partners and cohabitants, changes to the taxation of pensions, taxation measures associated with the Government's Jobs Initiative and Employment and Investment Initiative.

In June 2011, the Minister of State at the Department of Finance, Mr. Brian Hayes TD, signed the Joint Council of Europe/OECD Convention on Mutual Administrative Assistance in Tax Matters. The signing of this Convention confirms Ireland's full compliance with international standards in matters of tax transparency, exchange of information and administrative assistance.

Revenue Chairman Josephine Feehily was elected Chairperson of the World Customs Organisation in June 2011. The Chairman looks forward to being closely and effectively involved in shaping international Customs policy and ensuring that trade facilitation, supply chain security, intellectual property right protection and capacity building all remain central to the goals of the WCO.

Enablers

Our Statement of Strategy 2011 – 2014 identifies three enablers that together equip Revenue to carry out its mandate. These enablers are: People and Structures, Technology and Processes, and Governance.

In line with the Government's decision to reduce public sector staffing levels, our staffing complement was reduced to 5,962 in 2011 and following more recent retirements, fell to 5,732 by 1 March 2012. This represents a 13% reduction in staffing since 2008. This sudden reduction in staffing levels has resulted in the loss of critical skills in many of our business areas. Sanction was sought from the Department of Public Expenditure and Reform to allow some leeway on the staffing numbers and to allow us to recruit externally and from within to replace these critical skills. This is essential in order to maintain our capacity to collect taxes and tackle non-compliance.

We also develop the capabilities of our staff through the provision of specialist, targeted training. In 2011, a total of 51 Revenue students graduated from the University of Limerick (UL). To date, a total of 628 Revenue students have graduated via the UL programme.

Information and Communications Technology (ICT) remains key to Revenue operations, underpinning our internal and external facing services and risk-based compliance programmes. During 2011, we delivered a wide range of new e-services, including new systems for collecting the Universal Social Charge and Capital Gains Tax, enhanced online registration facilities, and developments in relation to vehicle Registration Tax, EU business statistics and exchange of information. A new electronic Relevant Contracts Tax system was developed during 2011 and introduced on 1 January 2012. The new system streamlines the administration of the tax, reduces the opportunity for fraud and improves the cash-flow position of compliant subcontractors.

Managing and improving our corporate performance depends on the availability of comprehensive and meaningful metrics across all of our business areas. During 2011, we implemented phase 1 of a new performance measurement reporting system that facilitates the recording of input cost information. This enables us to improve the linking of costs to specific outputs, and to better align resources with priorities.

Looking Forward

Revenue faces into 2012 determined to maintain and if possible improve compliance levels. This is our top priority for the foreseeable future and we are confident that it is achievable. That said, the challenges ahead are considerable. It will be difficult to restore capability and capacity in the short term. All of our business areas, from collection to compliance to managing shadow economy activity and smuggling to implementing legislative change, will remain under pressure - but as always we continue to innovate and refine our procedures and processes to improve efficiency and effectiveness. We want the community, the Government and all our stakeholders to have the highest possible level of trust and confidence in the integrity, quality and efficiency of our operations and in our contribution to economic and social development.

The multitude of complex and challenging activities detailed in this Report are carried out by dedicated, professional staff, public servants who routinely go beyond the call of duty to provide top class service to our customers, in good times and bad. We say a sincere thank you to our colleagues for their hard work in 2011. A special word of thanks to Michael O'Grady, who retired as Commissioner in January this year. The results are his too.This year is likely to be just as challenging but we are confident that Revenue will continue to serve Ireland and its citizens with distinction.

Josephine Feehily
Chairman

Liam Irwin
Commissioner

Niall Cody
Commissioner

Main Results for 2011

Collection

- Net receipts amounted to €34.24 billion, up €2.32 billion (7.3%) on the corresponding figure last year, but down €0.83 billion (2.4%) on the Budget estimate.

- €7.9 billion was collected on behalf of other agencies (PRSI and Health Contributions €7.9 billion: Environmental Levy €16 million: Nursing Homes Ancillary State Support Scheme €1.4 million).

- Debt available for collection in 2011 was €1,317 million, down €72 million (5.2%) on the 2010 figure. Debt available for collection as a percentage of total gross receipts was 2.72%, down from 2.92% last year.

Compliance

- 30 Court convictions for serious tax and duty evasion (16 for Tax offences and 14 for Customs and Excise offences), up from 13 in 2010. Eight custodial sentences, ranging from 7 to 36 months, imposed, with a further 15 custodial sentences suspended.

- A total of 513 prosecutions were obtained for a range of summary offences, such as failure to produce books and records, cigarette smuggling, marked mineral oil and oil laundering infringements, VRT and excise licence offences. 32 custodial sentences were imposed of which 19 were suspended. Fines amounting to €1.17 million were also imposed.

- 1,083 convictions were secured and fines amounting to €2.6 million imposed for the non-filing of Income Tax, Corporation Tax and Relevant Contracts Tax returns.

- 18 cash forfeiture orders amounting to €1.46 million were granted by the Circuit Court. These related to seizures made in 2008 and 2009.

- Drugs with a street value of €24.1 million were seized, up from €9.02 million last year.

- €1.03 million of cash suspected to be linked to criminal activity was detained at ports and airports.

- 109.1 million cigarettes and 11,158kg of tobacco, valued at €46 million and €4 million respectively, were seized.

- 34,040 litres of alcohol was seized.

- 1,044,830 litres of illegally laundered fuel were seized and nine fuel-laundering plants were detected.

- 4,166 seizures of counterfeit goods valued at €9 million.

- Audit activity yielded €440.5 million from 11,066 interventions. A further €81.3 million was yielded from 546,502 assurance checks.

- The cumulative total from the major "legacy" investigation projects reached €2.63 billion, with €18.8 million collected in 2011. This includes the yield from the investigation into Trusts and Offshore Structures in 2011 which was €4.12 million, bringing the cumulative yield to €40.72 million.

- Our 'Strategy On Combating the Illicit Tobacco Trade (2011-2013)' was published on the Revenue website in June 2011.

- Tackling shadow economy activity is a key corporate priority. We focussed on sectors that have traditionally been susceptible to shadow activity, particularly cash businesses, from the hospitality sector to white-collar professions such as doctors, dentists, vets, accountants and solicitors.

Supporting Voluntary Compliance

- By the end of 2011, a total of 642,808 customers had registered for our online PAYE anytime service, an increase of 27.4% on 2010. A total of 378,757 transactions were processed by the service during the year.

- The number of payment transactions made via ROS increased by 35.6% to 975,105, while the value of those payments increased by 16% to €32.1 billion.

- Our website, www.revenue.ie, received 18.2 million visits in 2011, an increase of 10.8% on the previous year.

- A new electronic Relevant Contracts Tax system was developed during 2011 and introduced on 1 January 2012.

- A new system for collecting the Universal Social Charge on a cumulative basis was also developed in 2011 and introduced on 1 January 2012.

- Phase Three of the mandatory electronic filing project, which saw the extension of e-filing to all companies, partnerships and trusts, approximately 200,000 entities, was successfully completed.

Tax Reforms

- Universal Social Charge introduced.

- Provisions relating to the taxation of civil partners and cohabitants introduced.

- Tax relief for start-up companies modified to boost employment.

- Legislation relating to the introduction of a temporary stamp duty levy on pension fund assets put in place.

- Pre-consolidation changes made to Excise law.

Efficiency and Effectiveness

- The cost of administration as a % of Gross Receipts was 0.92%.

- Total expenditure on training and development amounted to €6.74 million, representing 2.3% of payroll costs.

- A total of 51 Revenue students graduated from the University of Limerick (UL) with 40 being awarded a BA (Hons.) in Applied Taxation and a further 11 students receiving a Diploma in Applied Taxation. To date, a total of 628 Revenue students have graduated via the UL programme.

- In 2011, and for the fifth year running, Ireland was ranked the easiest country in the EU in which to pay business taxes, and the fifth easiest in the world (according to 'Paying Taxes 2012 – The Global Picture', a report by the World Bank and PricewaterhouseCoopers).

Strategy 1 - Make it easier and less costly to comply

According to a report by PricewaterhouseCoopers and the World Bank, Ireland was the easiest country in the EU in which to pay business taxes in 2011. It is vitally important for the economy generally, and for inward investment in particular, to have tax and customs systems that are easy to comply with, responsive to the needs of taxpayers and other stakeholders, and that encourage and actively promote voluntary compliance.

We are committed to providing quality customer service and to promoting electronic channels as the norm for doing business with us. Our online services, ROS and PAYE Anytime, continue to show strong year-on-year growth. Since 2007, the number of personal callers to our public offices has fallen by 14.4% while the number of visits to our website has increased by 39.2%.

Removing red tape and providing timely and accurate information to our customers also contribute to keeping compliance costs low.

Key Results

- Net receipts amounted to €34.24 billion, up €2.32 billion (7.3%) on the corresponding figure last year.
- 642,808 customers registered for our online PAYE anytime service, an increase of 27.4% on 2010. A total of 378,757 transactions were processed by the service during the year.
- Payment transactions made via ROS increased by 35.6% to 975,105, while the value of those payments increased by 16% to €32.1 billion.
- 18.2 million visits to our website www.revenue.ie in 2011, an increase of 10.8% on the previous year.
- New systems for Relevant Contracts Tax and for collecting the Universal Social Charge on a cumulative basis were developed during 2011 and introduced on 1 January 2012.
- Phase Three of the mandatory electronic filing project extended e-filing to all companies, partnerships and trusts, approximately 200,000 entities.

Objective 1.1 - Collect budgeted revenue

Table 1 and **Table 2** show Gross and Net Receipts respectively. Collection performance in 2011 was below target by €831 million (-2.4%) but €2,319 million (7.3%) above the yield in 2010.

Income Tax/Income levy/Universal Social Charge **-** Combined Income Tax, Levy & USC receipts came in €311 million (-2.2%) below target in 2011, due mainly to receipts from the PAYE and self-employed sectors performing below expectations. These shortfalls were partially offset by stronger than expected receipts from Dividend Withholding Tax, DIRT & residual payments from the income levy. Dividend Withholding Tax receipts for 2011 were approximately €50million above budget target mainly due to a number of dividend paying companies paying more than was expected on the basis of their performance in the previous year.

Value Added Tax - Net receipts of €9,753 million in 2011 were €477million (-4.7%) below target and €350 million lower than in 2010. Some of the shortfall may be accounted for by the lowering of the VAT rate to 9% in respect of certain goods and services for the period 1 July 2011 to 31 December 2013 in Finance (No.2) Act, 2011. Overall, VAT performance remained flat due to the negative impact of the recession on consumer spending within the economy.

Excise - Net receipts in 2011 were €4,872 million, which was €29 million (0.6%) ahead of Budget target and €37 million higher than in 2010.

- Vehicle Registration Tax (VRT), with receipts of €388.4 million, was €31.3 million ahead of target and €4.9 million above the receipts for 2010. Total new car registrations in 2011 numbered 90,477 compared to 89,212 for 2010, an increase of 1,265 (1.4%).

- The car scrappage scheme providing for VRT relief has been administered by Revenue since January 2010. A revised scheme was extended to 30 June 2011. The total relief for 2011 was €20.3 million, relating to 16,441 cars.

- Alcohol excise receipts were €829.5 million, which was €13.7 million (1.6%) below target but €3.1 million more than 2010.

- The Oils sector excise receipts of €2,129.6 million in 2011 exceeded target by €3.3 million and were €47.7 million more than in 2010.

- The Tobacco sector, with excise receipts of €1,126.1 million, yielded €19.9 million more than expected but €33.5 million less than in 2010.

- Carbon Tax yields for 2011 amounted to €298.2 million, which was €9.5 million (3.1%) below target but €75.1 million more than in 2010.

- Air Travel Tax with receipts of €47.9 million was €0.1 million (0.3%) below target.

- Other Excise (Licences and Betting) with receipts of €52.1 million were €2.4 million (4.4%) below target.

Corporation Tax came in €520 million (13%) below target. Approximately half of the shortfall is attributable to a lower than profiled yield in the month of December 2011. This was as a result of payments that were remitted in December 2011 not being received until early January 2012. The remainder of the shortfall was due to lower than expected payments from companies in various sectors.

Stamp Duties came in some €444 million ahead of Budget target in 2011. Receipts were boosted by a yield of €463 million from a levy on pension schemes introduced in Finance (No.2) Act, 2011.

Shortfalls against Budget target amounting to €30 million for property transactions, €8 million for Life Assurance Levy, and €9 million for a combination of share transactions, cheques & cash cards were partly counterbalanced by higher than expected yields of €20 million from Health Insurance Levy and €8 million from Non Life Levy and other stamp duties.

Capital Gains Tax receipts came in €6 million ahead of Budget target for 2011 and were some €71 million ahead of yield in 2010.

Capital Acquisitions Tax - While coming in within €6 million of the Budget target in 2011 and €7 million ahead of the 2010 outturn the yield continues to be affected by the impact of the economic downturn on the value of property and shares.

Customs receipts of €240 million in 2011 were €5 million (2.1%) ahead of target and €11 million higher than in 2010.

TABLE 1: TOTAL AMOUNT COLLECTED/GROSS RECEIPTS

	2011 €m	2010 €m
Income Tax, Income Levy & USC (2011)	16,412	13,946
Value-Added Tax	12,356	12,744
Corporation Tax	4,449	4,920
Excise	4,925	4,889
Stamp Duties	1,417	985
Capital Gains Tax	454	383
Capital Acquisitions Tax	254	243
Customs	241	230
Collection on behalf of other Departments/Agencies	7,937	9,220
Total	**48,444**	**47,559**

Note: *Any apparent discrepancies in totals are due to rounding.*

The figures for 2011 Net Receipts in **Table 2** are some €42 million higher than the comparable figure for Tax Revenue receipts published in the end of 2011 Exchequer Returns because of timing and accounting procedures.

The payments made by Revenue into Tax Relief at Source (TRS) schemes for mortgage interest and medical insurance are netted off proportionately in arriving at the yield of income tax from PAYE and the self-employed.

Table 2: Total Revenue /Net Receipts

Duties, Taxes & Levies	2011 Net Receipts	2011 Budget Estimates	2011 Net Receipts +/- Budget Estimates	2010 Net Receipts
	€m	€m	€m	€m
Income Tax:				
PAYE	8,496	8,614	-118	7,777
Income Tax from Self-Employed and certain other non-PAYE sources [1]				
Direct Payments	948	1,119	-171	963
Less other non-PAYE Repayments	-137	-142	5	- 148
Net Yield (see footnotes)	**811**	**977**	**-166**	**815**
Deposit Interest Retention Tax [2]	473	446	27	446
PSWT (fees) gross [3]	555	574	-19	564
Dividend Withholding Tax [4]	179	130	49	218
Income Levy	184	146	38	1,446
Universal Social Charge	3,114	3,238	-124	-
Income Tax total	**13,814**	**14,125**	**-311**	**11,266**
Value Added Tax [5]	9,753	10,230	-477	10,103
Excise [6]	4,872	4,843	29	4,835
Corporation Tax	3,500	4,020	-520	3,944
Stamp Duties	1,399	955	444	962
Capital Gains Tax	416	410	6	345
Capital Acquisitions Tax	244	250	-6	237
Customs [7]	240	235	5	229
Total	**34,237**	**35,068**	**-831**	**31,918**

***Note**: Any apparent discrepancies in totals are due to rounding of constituent figures*

(1) Income Tax from the Self-Employed: These figures are net of repayments made directly to the self-employed but are gross before netting off repayments to other non-liable individuals, charities, pension funds and foreign residents for tax deducted at source under various arrangements. Such repayments are normally made out of the non-PAYE collection and, if not adjusted for, would have the effect of understating the yield attributable to the self-employed. The repayments in question are accounted for in Table 2 under the sub-heading "Other non-PAYE repayments".

(2) Deposit Interest Retention Tax: tax deducted from interest arising on deposits with financial institutions.

(3) Professional Services Withholding Tax: tax deducted at source from fees for professional services provided to state agencies and certain other designated bodies.

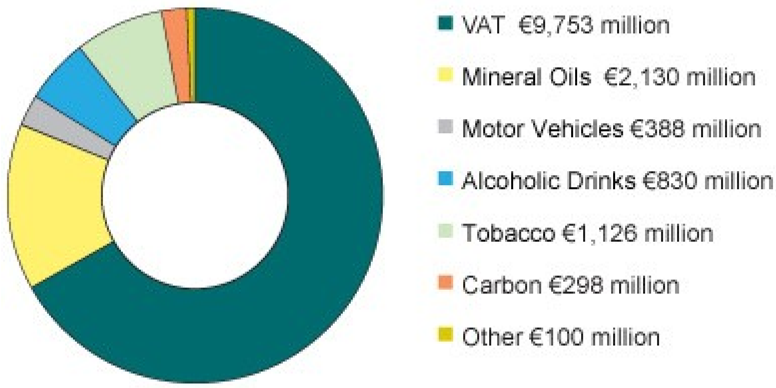
(4) Dividend Withholding Tax: withholding tax on certain dividend and other profit distributions made by companies resident in the State.

(5) The VAT receipts in 2011 are composed of €11,247 million of internal VAT and €1,109 million collected on imports, less refunds of €2,603 million.

(6) A tobacco levy of €168 million, which is directly paid over by Revenue to the Health Service Executive, is included in the Excise figures for forecasts and receipts in Tables 1 and 2, even though it is not included in the end-year Exchequer Returns as tax revenue.

(7) 75% of the amount collected is paid to the EU as part of the Irish contribution to the EU Budget known as "Own Resources". The remaining 25% is retained by the State as collection expenses.

CHART 1: INDIRECT TAX NET RECEIPTS



A total of €14,625 million was collected in net VAT and Excise receipts in 2011.

CHART 2: DIRECT & CAPITAL TAXES RECEIPTS

A total of €19,373 million was collected in Direct and Capital Taxes receipts in 2011.

Objective 1.2 - Establish electronic channels as the norm

By the end of 2011, almost 643,000 customers had registered for our PAYE anytime service, up 27% on 2010. The number and value of payments processed via the Revenue Online Service (ROS) also increased markedly, by 35.6% and 16% respectively.

Table 3: 'PAYE anytime' services

	2011	2010	% Change
Credits	294,600	284,945	3.39%
Reviews	84,157	75,679	11.20%
Profile/Pay & Tax	224,747	229,787	-2.19%
Total	**603,504**	**590,411**	**2.22%**
Registrations	642,808	504,557	27.40%
PAYE Anytime Unique Users*	341,745	-	N/A
PAYE Anytime 1st Time Users**	140,153	-	N/A

**The total number of individuals who have logged in to PAYE Anytime in 2011.*
***The number of users who accessed the system for the first time in 2011.*

Payment transactions made via ROS increased by 35.6% to 975,105, while the value of those payments increased by 16% to €32.1 billion.

Table 4: Payment Transactions in ROS

	2011	2010	% Change
No of Payment Transactions	975,105	719,339	35.56%
Value of ROS Payments	€32.09 billion	€27.66 billion	16.02%

We developed a strategy to increase the use of electronic funds transfer for tax repayments. The implementation of this strategy should increase the proportion of repayments paid electronically to customers, leading to improved customer service standards and reduced potential for fraud.

During 2011, we introduced a facility that gives customers the option of using online versions of the Income Tax return (Form 11) and Corporation Tax return (Form CT1) pre-populated with relevant data from our records. These pre-populated forms are easier to complete and should improve compliance levels.

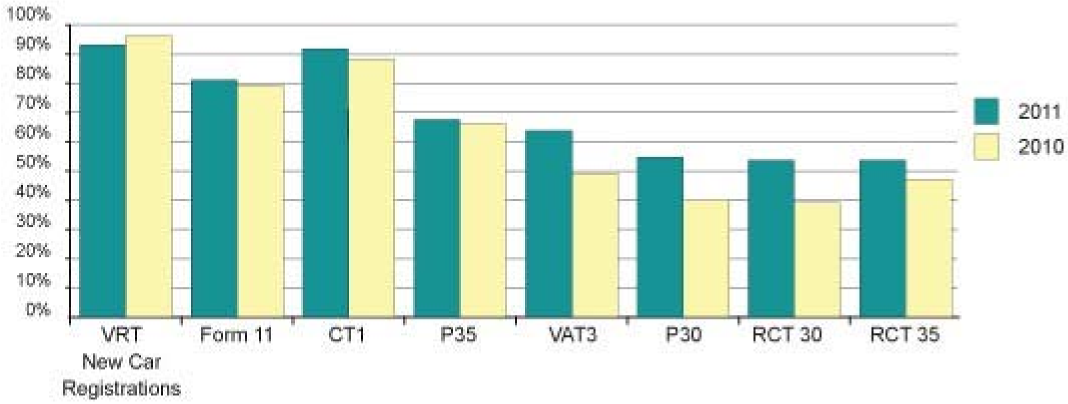
Phase 3 of the mandatory electronic filing project that saw the extension of e-filing to all companies, partnerships, trusts etc. (approximately 200,000 entities) was successfully completed in 2011.

Planning for Phase 4 of this project is at an advanced stage. This will extend mandatory electronic filing and payments to all VAT registered taxpayers and will be implemented on 1 June 2012.

TABLE 5: ELECTRONIC RETURNS 2011 V 2010

	2011	2010	% Change
VAT 3	656,818	531,591	23.56%
Employers' Monthly PAYE Returns - Form P30	665,797	516,883	28.81%
Employers' Annual PAYE Returns - Form P35	155,314	148,485	4.60%
Cessation Certificate - Form P45	461,758	395,600	16.72%
Income Tax Self Assessment Returns - Form 11	415,442	387,362	7.25%
Corporation Tax Self Assessment Returns - Form CT1	130,398	119,744	8.90%
Vehicle Registration Tax (VRT) Registrations	104,158	95,022	9.61%
Relevant Contracts Tax - Form RCT 30	184,603	195,222	-5.44%
Relevant Contracts Tax - Form RCT 35	20,680	19,198	7.72%
Customs Declarations	1,126,998	1,000,342	12.66%
Total No of all ROS Returns	**3,921,966**	**3,409,449**	**15.03%**

CHART 3: E-FILING V TOTAL FILING IN 2011 V 2010



Objective 1.3 - Increase awareness of entitlements and obligations

Engagement with Taxpayers

Revenue has a range of programmes aimed at increasing taxpayers' awareness of their entitlements and obligations. A number of specific measures were put in place in 2011including:

- An information leaflet and more detailed guidance notes on the main changes (e.g. mortgage interest relief, USC changes, Property Relief Surcharge, Stamp Duty on property, Relief for investment in corporate trades and the employment and investment relief) were made available on Budget night via our website (www.revenue.ie),

- Activities to encourage taxpayers to claim their entitlements include advertising, provision of information on our website and to journalists, and direct marketing. For example, 110,000 information leaflets on Tax Relief for Medical Expenses were produced and placed in doctors' surgeries. Increasingly, we are encouraging customers to claim those expenses online,

- An explanatory note on the changeover to Universal Social Charge (USC) being operated on a cumulative basis was available on the Revenue website,

- A dedicated telephone service was put in place to handle queries from the public for the three days following Budget Day 2012,

- Explanatory videos on the Budget 2012 changes were updated and viewable from the Revenue website,

- A service to allow taxpayers to get a copy of their tax credit certificate by texting (1,106 sent request by end February 2012) and automated telephone service (3,100 made requests by end February 2012). In addition, 60,911 taxpayers had viewed their 2012 tax credit certificate through PAYE Anytime up to the end March 2012,

- The development of a calculator facility for PAYE Anytime users via our website www.revenue.ie to work out how Budget 2012 changes impacted their take-home pay,

- VAT leaflets were published relating to the reverse charge for the scrap metal industry and to the temporary reduced VAT rate (9%). These VAT measures were introduced by way of the Finance Act 2011 and the Finance (No.2) Act 2011 respectively,

- We reviewed the quality of information and channels available to customers with particular regard to the use of social networking applications such as Twitter. It is proposed to pilot Twitter and some other Social Media options in 2012.

Engagement with Practitioners and Business

Revenue works closely with practitioners and business representative bodies through structured and regular contacts such as the Tax Administration Liaison Committee (TALC), the Hidden Economy Monitoring Group, the Customs Consultative Committee and the High Level Group on Business Regulation. We take these processes very seriously.

TALC is a forum for Revenue and organisations representing tax practitioners to meet and discuss issues relating to the administration of the tax system. The work of main TALC is supported by six sub-committees, which deal with specific areas of tax administration.

Five meetings of the main TALC were held in 2011 and items discussed included Revenue Internal Review procedures, developments in relation to the CCCTB, developments regarding the Universal Social Charge, RCT modernisation, the operation of the Mandatory Disclosure Regime, mandatory e-filing/paying, Self-Assessment and Stamp Duty and administrative and interpretative issues arising from the Budget and the publication of the 2011 Finance Act.

Marketing visits and presentations

Revenue continues to use every opportunity to engage with taxpayers to increase their awareness of their entitlements and their obligations. We also use these opportunities to promote the best and easiest ways of doing business with Revenue, particularly our online systems.

During 2011 Revenue staff conducted 35 marketing visits nationwide. We operated information stands at fairs and conferences, for example the Ploughing Championships, Fingal Enterprise Week and FAS Employment & Advice Fair. We provided Revenue information briefings at events organised by Chambers of Commerce, County Councils, Partnerships, Universities and schools, and at forums representing new businesses. We provided information briefings to the staff of a number of large employers. Revenue also organised information sessions on the new eRCT systems throughout the country.

Objective 1.4 - Reduce compliance costs

Reducing the administrative burden on business and associated compliance costs for all our customers is very important. Our strategies involve the provision of good quality services to make it as easy as possible for our customers to be compliant. This includes the provision of technology-based solutions and self-service options that simplify and reduce the burden associated with tax and duty obligations. A measure of our success in the delivery of this strategy is the fact that, for the fifth year running, Ireland continues to be ranked the easiest country in the EU in which to pay taxes (accordingly to "*Paying Taxes 2012 – The Global Picture*", an annual report by PricewaterhouseCoopers and the World Bank.

Revenue is well advanced with the baseline measurement of the regulatory burden on business in line with the Government's target to reduce the administrative burden of regulation on business by 25% by end 2012. This project entails the measurement of the cost of the most burdensome regulatory areas and the measurement of the savings achieved by the implementation of simplification measures introduced. This measurement exercise was commenced in late 2011 and is almost complete.

Revenue plays an active role in the High Level Group on Business Regulation, the Group tasked with taking concrete measures to reduce the administrative burden in a number of specific regulatory areas, including taxation.

A major burden reduction initiative for business was introduced in 2011. Revenue's On-line Service (ROS) now provides pre-population of the Income Tax and Corporation Tax return forms with the previous year details. This initiative greatly simplifies and speeds up the completion of these annual return forms for all Income Tax and Corporation Tax ROS filers.

A joint Revenue/Department of Social Protection working group looked at a range of potential mechanisms to ensure that the right amount of tax is deducted from DSP payments. One such option involved the DSP supplying Revenue with electronic information on the main pension schemes in late 2011. This data was matched against our systems and updated to taxpayers' records. This ensures that the correct amount of tax is deducted in respect of these payments in 2012.

Objective 1.5 - Improve our understanding of compliance behaviour

Revenue is running a number of pilot projects on influencing taxpayer behaviour. These aim to use insights from behavioural research to improve compliance. Four evidence based projects were initiated in 2011, covering a range of topics (excise licences, vehicle registration tax, relevant contracts tax, and debt management). The projects involve testing various approaches regarding compliance letters in terms of language and content and subsequently evaluating taxpayer reaction to the approaches applied. The initial results show that the piloted changes have improved taxpayer compliance. Analysis of the overall results will be undertaken in 2012 and new projects will be initated to build on the work carried out to date.

See feature on Influencing Taxpayer Behaviour – Excise Licence Renewals on page 22

Influencing Taxpayer Behaviour – Excise Licence Renewals

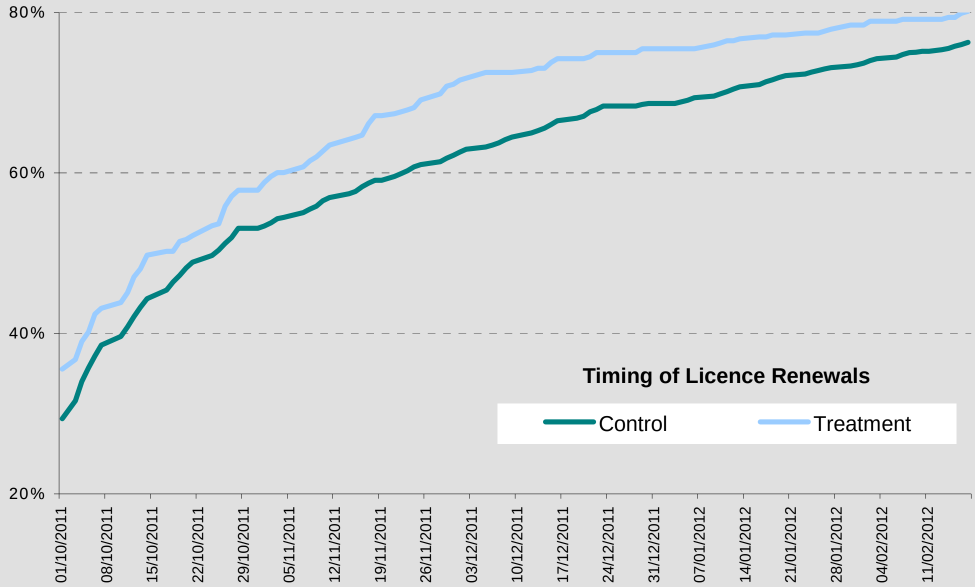
Revenue carried out a pilot project in 2011 to test whether insights from behavioural economics research can positively influence taxpayer behaviour. This pilot was focused on the renewal of publicans' licences.

Each year in September, Revenue's National Excise Licence Office issues letters to holders of a Publican's Licence reminding them that their licences are due to expire on 30 September and of the steps to renew their licence.

In the pilot project, a new approach to licence renewals was developed based on revising the wording of the letters to reflect behavioural research on complexity, deterrence and social norms. The new approach was applied to a sample of cases (the treatment group) randomly selected from the overall population of publican's licence holders (the remainder of the cases formed the control group).

The results show that revising the wording of the letter increases pre-October renewal rates from 29% in the control to 36% in the treatment group. The improvement may seem small but it derives from very modest changes and even a small reduction in the number of subsequent reminder letters generates a saving for Revenue given the numbers of letters issued.

This project shows that the type of letter sent to taxpayers can positively impact on their subsequent behaviour. This is an important new result from a research perspective but also has a direct impact on Revenue's operations. In 2012, all excise licence letters have been revised based on the findings of this exercise.



Objective 1.6 - Design and deliver high quality Revenue services

Following a fundamental review in 2010, of the Relevant Contract Tax (RCT) scheme and its operation, the Finance Act 2011 introduced the legislative framework underpinning the new modernised electronic RCT regime. This was supplemented by detailed Regulations which were made in December 2011 and which facilitated introduction of the new regime with effect from 1 January 2012. The e-RCT scheme is designed to-

- Streamline and modernise the administration of the tax,
- Reduce the incidence of tax fraud, and
- Improve the cash-flow position of tax compliant subcontractors with a view to boosting employment prospects in the sector.

The move to a fully electronic system is in keeping with Government objectives of promoting the e-agenda and reducing the administrative burden for business. It strengthens the reporting system for RCT principals, which in turn, will enhance compliance within the sector.

To counteract inefficiencies in the system used to collect the Universal Social Charge (USC) following its introduction in Budget 2011, a new collection system for that tax was designed, built and tested over the course of 2011. The new system which collects the USC on a cumulative basis was operational from 1 January 2012. This system ensures the correct amount of USC is collected from taxpayers over the course of the year and reduces the potential for over or under payments that was present in the old system.

Mortgage Interest Relief (Tax Relief at Source) - the budget introduced a new 30% rate of tax relief in respect of interest paid on qualifying homes for the 2012 and subsequent tax years for first time buyers who took out their first qualifying home loan in the period between 2004 and 2008 (both dates inclusive). Revenue is currently working with lenders to ensure the relief can be passed on to borrowers by qualifying lenders without undue delay. As an interim measure Revenue has applied a 25% rate that had previously been tested with lenders, to the 189,000 eligible mortgage accounts involving some 270,000 individuals.

Objective 1.7 - Achieve service and trade facilitation standards

Service

We aim to provide services to compliant taxpayers that are efficient, speedy and cost effective and we have set out the Customer Service Standards by which we will be measured. These standards were set in 2009.

In 2011, we maintained a high level of service delivery, for most key service areas, in the face of increasing customer service expectations and a reduction in Revenue resources. However the impact of staff losses can be seen in a drop in our service standards in some areas.

Our PAYE 1890 telephone call answering service standards deteriorated but we still managed to answer 85% of calls within 5 minutes. This is primarily due to our reassignment of staff to higher priority duties such as Debt Management.

We also had a drop in our standards for processing non-ROS (i.e. paper) returns and declarations in 2011 primarily due to the reassignment of staff to ROS customer support duties in the context of the extension of mandatory efiling.

On the positive side, we improved our service delivery in important areas such as Repayment Claims processing and Tax Clearance applications. We have again exceeded our standards for our telephony service to business taxpayers and achieved a 100% immediate Automated Entry Processing (AEP) response times for our trade facilitation traders.

We take pride in providing a quality service to our customers and we will continue to strive for excellence in our customer service delivery.

See **Table 6** – Customer Service Standards and Results and **Table 7** – Volume of Business.

Trade Facilitation

We dealt with over 1 million customs declarations in 2011, over 95% of which were cleared instantly.

Mutual Assistance

Mutual assistance requests received and sent continue to be closely monitored. Overall, we have been able to turnaround the majority of requests within agreed timeframes. See **Table 8** - Mutual Assistance Requests for more details.

TABLE 6: CUSTOMER SERVICE STANDARDS AND RESULTS

Service	Standard	Results 2011	Results 2010
Complaints	Processed within 20 working days	96%	99%
Telephone Service [1]	PAYE 1890 calls: 50% within 30 secs 85% within 3 mins 100% within 5 mins	37% within 30 secs 68% within 3 mins 85% within 5 mins	51% within 30 secs 82% within 3 mins 92% within 5 mins
	Other calls answered: 50% within 30 secs 85% within 3 mins 100% within 5 mins	69% within 30 secs 92% within 3 mins 97% within 5 mins	77% within 30 secs 94% within 3 mins 98% within 5 mins
Registrations	PAYE Customers registering for PAYE *anytime*, passwords will be issued within 5 working days by ordinary post.	76%	80%
	Business customers registering for ROS, passwords will normally be issued within 8 working days by ordinary post.	100%	100%
	Business customers registering for secure email, passwords will normally be issued within 3 working days by ordinary post.	100%	100%
Returns, Declarations Applications	ROS 100% within 5 working days	89%	90%
	Non ROS 80% processed within 10 working days	IT 12% CT 33% Other 96%	IT 28% CT 44% Other 96%
	Non ROS: 100% processed within 20 working days:	IT 22% CT 61% Other 98%	IT 44% CT 74% Other 99%
	AEP Immediate Response	100%	100%
Repayments	Non-ROS 80% processed within 10 working days [2]	94%	92%
	Non-ROS 100% processed within 20 working days	98%	97%
	ROS 100% within 5 working days	IT 92% CT 70% PAYE 96%	IT 91% CT 64% PAYE 97%
Correspondence, e-mail, fax	50% 10 days 85% 20 days 100% 30 days	66% 10 days 83% 20 days 93% 30 days	74% 10 days 86% 20 days 93% 30 days
Applications for Tax Clearance Certificates	100% processed within 5 working days	92%	86%
Application for Non-Resident Tax Clearance Certificates	100% processed within 5 working days	88%	87%
Applications for Standards in Public Office Tax Clearance Certificates	100% processed within 5 working days	97%	99%

(1) *Results for 2010 only covered the period April to December.*
(2) *This calculation includes all Registered VAT Repayments, a portion of which will be ROS claims. We are unable to split them by source at this time but their inclusion is in line with prior years.*

Table 7: Volume Of Business 2011

	Volume in 2011	Volume in 2010	% +/- 2011/2010
Self Assessment (Income Tax)	609,400	604,095	0.88%
Companies	158,233	157,440	0.50%
VAT Registrations	258,691	269,275	- 3.93%
Contacts			
Personal Callers	811,060	867,927	- 6.55%
Telephone Callers Includes 1890 calls:	3,962,335	3,928,622	0.86%
Visits to the Revenue website (www.revenue.ie)	18,151,040	16,387,504	10.76%
Items processed			
Correspondence	2,726,385	2,891,644	- 5.72%
PAYE Employee Reviews	1,143,986	1,219,790	- 6.21%
PAYE Returns	83,757	83,558	0.24%
Income Tax Returns	544,657	537,629	1.31%
Income Tax Repayments	209,185	225,812	- 7.36%
Corporation Tax Returns	137,542	135,326	1.6%
Corporation Tax Repayments	26,097	31,925	- 18.26%
VAT Repayments	249,847	271,429	- 7.95%
Payments received by Collector General	4,012,510	3,926,563	2.19%
P35 Returns	227,496	217,909	4.40%
VAT3 Returns	1,029,190	1,084,503	- 5.10%
RCT35 Returns	37,981	41,205	- 7.82%
RCT30 Returns	339,878	500,278	- 32.06%
Capital Gains Tax Returns	38,355	39,675	- 3.33%
Environmental Levy Returns	8,208	9,074	- 9.54%
CG50s (Applications for Clearance Certificates)	1,591	2,106	- 24.45%
C2s (Sub-contractor certificates) issued	5,212	19,570	- 73.37%
Relevant Contracts Tax (RCT) Repayments	109,989	108,336	1.53%
RCT47s (Payment card authorisations) issued	110,114	169,760	- 35.14%
Dividend Withholding Tax (DWT) Returns	6,281	6,073	3.42%
DWT - Distributions to Individual Shareholders	506,948	539,255	- 5.99%
Tax Clearance Certificates issued	171,998	169,803	1.29%
Claims repaid to non-residents	11,495	12,498	- 8.03%
Exemptions granted to charitable/sporting bodies	346	413	- 16.22%
Customs & Excise Declarations	1,126,998	1,000,342	12.66%
Intrastat Declarations	106,567	109,893	- 3.03%
VIES declarations	61,186	54,336	12.61%
New vehicles registered	105,907	103,793	2.04%
Second-hand vehicles registered	53,544	58,324	- 8.20%
Inland Revenue Affidavits	24,325	14,319	69.88%
Gift/Inheritance and Discretionary Tax Returns	18,383	16,560	11.01%
Capital Acquisition Tax Certificates of Discharge (1)	1,654	11,437	- 85.54%

Returns in relation to Companies Capital Duty and Composition Duty and Levies	2,485	2,549	- 2.51%
Instruments presented for marking and stamping	61,950	64,909	- 4.56%
CREST refund claims received	19,699	41,454	- 52.48%

(1) Since 3 April 2010, Revenue no longer issues Certificates of Discharge (section 147, Finance Act 2010).

TABLE 8: MUTUAL ASSISTANCE REQUESTS

Mutual Assistance Request	Received 2011	Received 2010	Sent 2011	Sent 2010
From/to EU Member States	3,022	2,942	1,166	671
From/to other countries	78	37	46	17
Total	**3,100**	**2,979**	**1,212**	**688**
Europol Requests	207	147	43	28

Strategy 2 - Increase timely compliance and reduce debt

We expect businesses to keep a strong focus on ensuring timely compliance with their tax return filing and payment obligations. To that end we provide service supports to business to enable them to be timely compliant and target our interventions on those cases where there is less than timely compliance or engagement.

Such interventions will and do result in enforcement action where our efforts at securing timely compliance and meaningful engagement are not successful. Our strategy of balancing enforcement with limited debt rescheduling for viable businesses, combined with effective deployment of our enforcement powers as necessary, increasing the proportion of available resources assigned to front line debt collection and recovery work, facilitates the achievement of high timely compliance targets and timely and effective responses to late or non-compliance.

Key Results

- Debt available for collection in 2011 was €1,317 million, down €72 million (5.2%) on the 2010 figure. This represents 2.72% of the gross receipts.

- All significant debt, available for collection in 2011, was the subject of an agreed phased payment arrangement or the subject of enforcement proceedings within one year of the debt arising.

- Resources deployed on debt collection and recovery increased by 11.5% in 2011.

Objective 2.1 - Achieve compliance targets and reduce debt

Tables 9 and **10** show Revenue's achievement in respect of the percentage of tax collected by the due date and timely return/payment compliance respectively.

Table 9: Average Percentage Of Tax Collected By The Due Date

	2011	2010
PAYE/PRSI	95%	95%
VAT	91%	89%
Preliminary Income Tax (Non PAYE)	97%	97%
Capital Gains Tax	91%	93%
Corporation Tax	91%	94%
Relevant Contracts Tax	85%	81%

Table 10: Return/Payment Compliance

Case Size *	Due Month Compliance End 2011 Target	Due Month Compliance 2011 Actual	Due Month Compliance + 1 End 2011 Target	Due Month Compliance + 1 2011 Actual
Large Cases	93%	95%	97%	98%
Medium Cases	86%	87%	94%	95%
All Other cases	72%	72%	81%	81%

**Definition of Terms:*

- *Timely compliance is defined using risk criteria and is calculated on a weighted basis for the main taxes (employers PAYE/PRSI, VAT, Corporation Tax, Income Tax and Relevant Contracts Tax).*
- *A Large Case is a customer paying over €500,000 in a year, a Medium Case is a customer paying between €75,001 and €500,000 and an Other Case is a customer paying €75,000 or less.*
- *Due month compliance represents tax paid in the calendar month in which it is due.*
- *Due month +1 represents compliance in the month following the payment-due date.*

Debt Performance

Despite the challenging economic and financial environment the level of outstanding debt stabilised in 2011and is now beginning to decrease. The overall debt reduced from €2,078 million in 2010 to €1,986 million in 2011. When amounts under appeal are excluded, the debt available for collection decreased from €1,389 million in 2010 to €1,317 million in 2011. €321 million of debt was deemed to be uncollectible and was written off in accordance with established guidelines in 2011. This represents a €21 million (7%) increase on the 2010 figure. The amount written off in the liquidation category has decreased from €158 million in 2010 to €138 million in 2011.

Managing Debt Performance

All significant debt, available for collection in 2011, was the subject of an agreed phased payment arrangement or the subject of enforcement proceedings within one year of the debt arising. A new debt analysis tool was introduced for debt management casework in February 2012. The tool has been deployed on a pilot basis to Revenue debt collection and recovery teams to further inform prioritisation of debt recovery primarily by reference to and the age of debt. The tool will also, in time, facilitate additional analysis and measurement of our performance in the area of debt recovery.

Collection Enforcement Performance

Table 11 shows the results of Revenue's collection, using our Solicitor, Sheriff and Attachment enforcement programmes. In addition, a total of 4,445 cases (4% increase over 2010) were monitored under our Phoenix and Commonality programmes that link a business with a tax debt to other businesses connected with it through common ownership or management. The numbers of cases managed under these programmes reflects the continuing debt challenge posed by the economic and financial environment in which businesses are operating and Revenue's determination to give priority attention to the highest risk cases.

TABLE 11: COLLECTION ENFORCEMENT PROGRAMMES

	2011			2010		
	Number	**Value of referrals (€m)**	**Yield (€m)**	**Number**	**Value of referrals (€m)**	**Yield (€m)**
Solicitor Enforcement	5,602	212.6	35	6,668	261.1	43.0
Sheriff Enforcement	34,466	474.3	172.1	32,964	529.0	173.9
Attachment Enforcement	4,463	213.0	30.7	4,228	232.7	31.0
Total	**44,531**	**899.90**	**237.8**	**43,860**	**1,022.8**	**247.9**

Oversight of Corporate and Personal Insolvency

During 2011, Revenue was actively involved in the oversight of corporate and personal insolvencies:

- 1,365 companies were wound up via Creditor Voluntary Liquidations, (compared to 1,219 in 2010),
- 100 companies were wound up on foot of a court order (121 in 2010). Of these 62 were on foot of Revenue petitions (63 in 2010),
- Receiverships totalled 530 (375 in 2010),
- 40 companies went into Examinership (46 in 2010),
- 66 individuals were declared bankrupt (30 in 2010). Of these, 7 were on foot of Revenue petitions (6 in 2010),
- Revenue staff attended 404 (441 in 2010) creditor meetings and took up positions on Committees of Inspection where appropriate,
- Under Section 214 of the Companies Act 1963 Revenue issued 199 notices resulting in 62 instances where Revenue petitioned the High Court for the appointment of a liquidator.

Occasionally, Revenue provides the funds for action by liquidators against directors in the event of suspected serious abuse of the company law provisions particularly where the liquidator has evidence of fraudulent or reckless behaviour or where there are grounds to pursue action against rogue directors. In addition, close liaison is maintained with the Office of the Director of Corporate Enforcement and the Official Assignee's office.

Finance Act 2011 measures

Enhanced collection and enforcement measures provided for in the Finance Act 2011, including the elimination of paper receipts for tax payments, the provision of a facility for payment of tax by credit card and extension of the power of attachment to include wages were fully implemented. To date there are 3 such attachments in place.

Objective 2.2 - Facilitate viable businesses that engage positively with Revenue

In the last number of years, some financially viable businesses experienced particular difficulties in meeting their tax payment obligations. Difficulties with regard to cash flow problems arising from bad debts and tightening of credit and overdraft facilities by financial institutions can severely restrict the capacity of businesses to meet immediate financial obligations, including timely payment of tax debts, as they fall due. Revenue has published comprehensive material, for businesses and individuals experiencing tax payment difficulties, on our website.

Approximately 16,000 cases have an agreed phased payment plan in place with Revenue covering €113 million in tax debt. This represents an increase of some 10% on the number of arrangements in place at the end of 2010 and in excess of a 50% increase on the number at the end of 2007. This reflects positive engagement by businesses that have experienced tax payment difficulties and Revenue’s willingness to work with viable businesses to overcome those difficulties.

Strategy 3 - Target and confront those who do not comply

The growth in international trade and investments, globalisation, the use of tax havens, cross-border eCommerce, cross-border tax fraud, the smuggling of illicit drugs and border security concerns all present major challenges to Ireland in terms of developing appropriate responses.

Revenue is active in developing appropriate responses to these challenges. In particular, greater international cooperation between tax and customs administrations is an essential part of any response to tackling cross-border tax and customs related criminality. Revenue continues to work towards fostering and developing greater international co-operation in these areas.

Tackling shadow economy activity, smuggling and tax evasion are at the sharp end of Revenue's drive to optimise compliance. Our interventions range from assurance checks to audits to seizures and prosecutions. These interventions are guided by structured risk assessment, analytics and intelligence.

In tackling shadow economy activity during 2011, we focussed on cash businesses, from the hospitality sector to white-collar professions. We cooperate closely and share information with the Department of Social Protection to uncover either non-declaration or under-declaration of income and/or fraudulent DSP claims.

Our response to the threat posed by drug smuggling includes promoting cooperation, exchange of intelligence and proactively profiling drug-trafficking networks with the relevant national and international law enforcement agencies, along with effective operational interventions.

Key Results

- 30 convictions for serious tax and duty evasion, up from 13 in 2010. 23 custodial sentences, ranging from 7 to 36 months, imposed, 15 of which were suspended. Fines totalling €100,550 also imposed.
- Drugs with a street value of €24.1 million seized.
- 109.1 million cigarettes and 11,158kg of tobacco, valued at €46 million and €4 million respectively, seized.
- 34,040 litres of alcohol and 1,044,830 litres of illegally laundered fuel seized. Nine fuel-laundering plants detected.
- €1.03 million of cash suspected to be linked to criminal activity was detained at ports and airports.
- Audit activity yielded €440.5 million from 11,066 interventions. A further €81.3 million was yielded from 546,502 assurance checks.
- Our 'Strategy On Combating the Illicit Tobacco Trade (2011-2013)' was published on the Revenue website in June 2011.
- A strategy to combat increased illicit trade in mineral oils was developed and is beginning to show results.

Objective 3.1 - Increase focus on the shadow economy

Shadow Economy overview

The potential for shadow economy activity can arise across a range of economic sectors and is often carried out by people and businesses already in the tax system. Revenue must focus on those sectors and activities, which pose the greatest risk to the Exchequer. The shadow economy can range from businesses (including professions) understating their sales/income, under declaring cash payments or paying their employees "off the books", to individuals doing 'nixers' either in addition to their normal taxed employment or while also claiming DSP payments.

Revenue fully recognises the threat to the Exchequer posed by the shadow economy and in 2011 put a strong focus and concentration on those sectors that traditionally have been susceptible to shadow activity. More than 50% of our interventions in 2011 related to cash businesses. Amongst the areas prioritised were the detection of serious sales suppression in the hospitality sector, checking the compliance of white-collar professionals and streetscape operations in towns and cities.

Defending legitimate traders

Revenue is also mindful of the unfair competitive advantage to be gained by those businesses that do not fulfil their tax obligations. Our audit and tax compliance programmes are under constant review to ensure that they are focussed on the areas of greatest risk, including risks from the shadow economy. Shadow economy targets are identified using a combination of risk analysis, intelligence collation and data matching. Projects are organised at National, Regional and District level.

Results from 2011 activities, see **Table 12**.

TABLE 12: SUMMARY OF AUDIT RESULTS FOR CERTAIN SECTORS.

Sector	No. of audits	Total yield	Average yield €
Construction	1,833	€58.8m	€32k
Bars	316	€8.1m	€25.6k
Restaurants	297	€8.8m	€29.5k
Legal Activities	142	€4.6m	€32.2k
Landlords/Property Rental	908	€35.1m	€38.6k
Accountants	130	€2.9m	€22k
Doctors	166	€3.9m	€23.3k
Dentists	54	€2.1m	€39k

These results are included in overall audit results in **Table 15**

New Registrations from streetscape operations

Streetscape operations are where a team of Revenue officials visit virtually all of the businesses in a street, shopping centre or village during the course of a day. During the course of 255 streetscape operations in 2011, over 5,700 businesses were visited and assurance checks carried out, These visits resulted in 224 new registrations for business taxes and the discovery of 435 employees who were being paid off the books.

Joint Investigation Units

Joint Investigation Units carried out 9,000 interventions in 2011. Results included collecting tax, interest and penalties of €3.3m and the identification of 2,274 new taxhead registrations. Many of these Joint Investigations include participation by staff from the Department of Social Protection (DSP) and the National Employment Rights Authority (NERA) under arrangements that have been in place since 1990.

Use of legislative changes to combat specific sectoral risks

Recent Revenue investigations have detected the use of computer programmes or electronic devices to alter or conceal sales records. To counteract these risks, legislation was enacted in 2011 providing penalties for the possession, use or supply of automated sales suppression devices known as "zappers" for the purpose of evading tax. The maximum penalties for this Revenue offence are a fine of €126,970 and/or imprisonment for a term not exceeding 5 years. A nationwide project has commenced aimed at detecting businesses utilising sales suppression devices.

Another cash business where significant compliance issues arose particularly in the area of cash payments was the scrap metal industry. Industry analysis suggested that cash payments in the industry are significant. The introduction of the VAT reverse charge for scrap metal in 2010 eliminated the VAT at risk in the sector. Specific audits completed during 2011 yielded in excess of €1.1m and there are a number of investigations ongoing and prosecutions pending.

Working with key sectoral representative groups to identify significant shadow economy risks

The Hidden Economy Monitoring Group, which provides a forum for the exchange of views on the effectiveness of measures introduced in combating the hidden economy, continues to meet on a regular basis. This group, which is chaired by Revenue, includes representatives from employer and business organisations, trade unions and other Government Departments and agencies.

Discussions have also taken place with individual representative bodies which have been invited to provide insights and specific intelligence to support the targetting of Revenue's compliance work. Regional shadow economy liaison groups have recently been established to facilitate greater local interaction and more immediate responses to insights and issues that may be highlighted.

Cooperation & Data exchange between Revenue and the Department of Social Protection

Our approach to the shadow economy is underpinned by close consultation and cooperation with other regulatory authorities such as the Department of Social Protection (DSP) and the National Employment Regulatory Authority (NERA). The primary objective of these activities is to uncover either non-declaration or under declaration of income, fraudulent DSP claims and/or non-compliance with employment regulations.

The High Level Revenue DSP Liaison Group meets quarterly with the overall objective of deepening the co-operation between both organisations with a view to tackling the shadow economy, improving tax compliance and detecting welfare fraud.

By enhancing the scope and depth of the data exchange programme between the DSP and Revenue both organisations seek to ensure that claim information submitted for benefits and tax credits is consistent. It will also look to strengthen arrangements to ensure that information held in one organisation and relevant to the other for control programmes, claim validation procedures and debt recovery are systematised.

New third party information sources

Automatic access to third party information is of enormous value to Revenue enabling us to target compliance interventions, to profile sectors and to identify gaps in tax returns.

S.I. 273 Returns of Payments (Government Departments and other bodies) Regulations 2011 was signed on 10th June 2011. The regulation requires Government Departments, bodies established under statute and any other body involved in the disbursement of public funds to submit returns of payment information to Revenue on an annual basis. A total of 265 returns have been made in respect of 2010. Returns for 2011 and subsequent years will be due by 30th June annually. This includes a very broad range of payments ranging from grants to payments to contractors.

S.I. 641 Returns of Payments (Insurance Undertakings) Regulations was signed on 12th December 2011 The regulation requires assurance companies to make annual returns of information to Revenue. The relevant companies are to return details of all payments made in respect of investments. The first returns are due by 30th September 2012 and will contain details of payments made in 2011. From 2013 onwards returns will be due by 31st March annually. These regulations will help to prevent the type of tax evasion uncovered by the Single Premium Investment Products special investigation which yielded €485.67 million to the end of 2011.

The next phase will mandate returns of information from Hedge Fund companies in relation to fund values.

Objective 3.2 - Improve detection of drugs and fiscal smuggling

Drugs Detection

The quantity of cocaine seized is almost four times the 2010 total. The volume of cannabis resin seized significantly increased and the volume of herbal cannabis is up approximately 40% on 2010 levels. As a result of improved risk analysis and targeted interventions, Revenue has increased its drugs/illicit medicines supply detections to 100 in 2011, an increase of approximately 15% on 2010. Revenue is also conducting a review of its Memorandum of Understanding programme with the trade and logistics sectors, which commenced in 2011. Its purpose is to enhance communication and cooperation and to identify suspect movements while at the same time facilitating the smooth passage of legitimate trade and travellers.

TABLE 13: DRUGS SEIZURES IN 2011

Type of Drug	Number of seizures	Quantity (kg)	Value (€)
Herbal Cannabis	1,975	449.499	5,394,013
Cannabis Resin	403	935.391	5,612,347
Heroin	10	1.706	255,900
Cocaine	55	138.532	9,697,242
Ecstasy	16	15.264(1)	254,382
Khat	8	177.1	354,200
LSD	3	0.035	600
Other (2)	6,603	870.88(3)	2,505,213
Total	**9,073**	**2588.407**	**24,073,897**

These figures include seizures made in joint operations with an Garda Siochana.

(1) *This figure consists of 3kg of Ecstasy and 40,579 tabs.*
(2) Other *includes amphetamines, precursor chemicals, magic mushrooms, steroids, hallucinogenic substances and assorted prescription medicines.*
(3) *In addition to the 870.88 kg there were 1,258,580 medical tablets and 5.7 litres of medicines seized.*

Revenue's Customs Service continues to enhance cooperation with other Customs Services and law enforcement partners. This co-operation has resulted in 76 controlled delivery operations involving drugs, illicit medicines and firearms in conjunction with international law enforcement, An Garda Síochána and the Irish Medicines Board. This is an increase of 26% on the 2010 figure of 60 controlled deliveries.

Cigarettes and Tobacco Products

Revenue's new tobacco strategy, "Strategy On Combating the Illicit Tobacco Trade (2011-2013)" was published on the Revenue website in June 2011. This three-year strategy is underpinned by annual action plans. The strategic level plans include taking steps to ensure that the legitimate trade remains compliant, delivering more effective and visible interventions through enhanced capability and better deployment of Revenue resources, further development of cooperation and intelligence sharing at national and international level, a commitment to prosecute all serious cases of tobacco tax evasion and a focus, in partnership with other Government agencies, on reducing the demand for contraband tobacco.

The modus operandi for smuggling cigarettes and tobacco products into Ireland remains broadly unchanged. A number of criminal gangs and individuals located both within and outside the State continue to engage in this smuggling, as Ireland remains an attractive destination on account of high taxes and prices. International cooperation with other tax and customs administrations is an essential element in Revenue's response.

During 2011 Revenue's Customs Service seized a total of 109m cigarettes in 10,581 seizures. Commercial quantities in maritime freight traffic accounted for 76.4m cigarettes, of which more than 22m were counterfeit and a further 53m were "illicit whites" ("Illicit Whites" are cigarettes which are largely manufactured for the purpose of being smuggled into another country). Revenue also seized 11,158kg of tobacco in 2011.

14 controlled deliveries were carried out involving large consignments of illicit cigarettes, two of which were controlled onwards to Northern Ireland. This is an increase of 27% on the 2010 figure. These controlled deliveries resulted in the seizure of 71.7m cigarettes in the State with a further 16m being seized in Northern Ireland.

Revenue continued with its successful programme of nationwide blitz-type operations during 2011. Over 19m cigarettes, 1,344 kgs tobacco and 49 vehicles were seized in the course of 6 operations. In addition, 6 arrests were made.

TABLE 14: EXCISABLE PRODUCTS SEIZED IN 2011

Product	Number of Seizures	Quantity	Value (€m)
Cigarettes	10,581	109.1 Million (1)	45,953,172
Tobacco	1,500	11,158 Kgs	4,003,044
Alcohol (Beer, Spirits, Wine)	365	34,040 Litres	547,231
Marked Mineral Oil	88	718,181 Litres	-
Oil Laundries	9	326,649 Litres (2)	-
Other (3)	5,599	-	-
Vehicles (4)	163	-	-

(1) *Includes counterfeit brand cigarettes*
(2) *Includes Laundered, Smuggled and Marked Mineral Oil*
(3) *Other seizures refer to non-Excisable commodities such as conveyances, counterfeit goods (excluding cigarettes), pornography, weapons and food*
(4) *Vehicles seized for Marked Mineral Oil offences*

Mineral Oil Fraud

A strategy for combating the illicit trade in mineral oils was developed and is beginning to show results. The enhanced range of actions being undertaken against this criminality includes a more rigorous enforcement of the law with a view to an increase in prosecutions for those who fail to comply with the legislation In July 2011 new conditions were introduced for holders of a Mineral Oil Trader's licence in respect of each of their licensed premises. The full implementation of this strategy continues in 2012.

In 2011, Revenue detected and dismantled a record nine oil-laundering plants and seized over one million litres of fuel. Sixteen persons were arrested in the course of these operations. To date the DPP has directed that persons arrested at five of the laundries should be prosecuted on indictment. Files are in the course of preparation in respect of individuals arrested at the other four.

In the course of 2011, organised criminal gangs involved in oil laundering attempted to establish their own distribution outlets throughout the country. Revenue adopted a vigorous campaign targeting such outlets with the intention of the immediate closure of unlicensed outlets and challenging all instances of non-compliance with licensing conditions. This resulted in a significant increase in mineral oil seizures and the closure of 32 suspect outlets between July and December 2011. Fuel totalling 718,181 litres was seized in 2011 in respect of mineral oil licensing offences.

A multi-agency cross border investigation involving Revenue, various units of An Garda Siochana and the Criminal Assets Bureau took place in September 2011 targeting an Organised Crime Group engaged primarily in oil-laundering activities and the onward supply and sale of laundered oil as auto diesel. As part of the operation, a Joint Investigation Team with Her Majesty's Revenue & Customs was set up in order to coordinate agreed joint activities in both jurisdictions. During the course of the operation, an oil laundry was discovered in Co. Monaghan, adjacent to the land border, and five filling stations that were identified as being supplied with laundered oil were also raided. The Criminal Assets Bureau is currently investigating the assets associated with members of this Organised Crime Group while the Organised Crime Unit of An Garda Siochana is preparing a prosecution file for the DPP.

In a second multi-agency investigation in November 2011, Revenue, backed up by armed Gardaí from the Regional Support Unit, mounted a large-scale operation spanning 12 locations in 3 counties against a known principal who was suspected of organising, distributing and retailing illicit mineral oil. Significant amounts of mineral oils as well as vehicles and cash were seized. A tax assessment has been raised against the individual.

Revenue, together with the State Laboratory, continues to explore the possibility of improving/replacing the existing national fuel markers. Discussions have taken place with the State Laboratory, Her Majesty's Revenue & Customs (HMRC), and commercial technical bodies, with a view to developing a long-term solution.

Progress continues to be made in updating excise processes and procedures and publishing new and updated manuals and associated public notices. The new procedures on the licensing of mineral oil traders have been further updated and have been successfully implemented. Provision was included in the Finance Bill 2012 for the application of licensing requirements to persons trading in marked diesel or marked kerosene. The new licensing system will support Revenue's work to combat oil laundering and smuggling by allowing for improved control and supervision of the supply chain for marked fuels.

Alcohol Fraud

In 2011 there were 365 seizures of alcohol at import and inland amounting to 34,040 litres. The number of seizures is a 27% increase on the 287 seizures of alcohol in 2010. In addition to ongoing targeting of illegal imports, 2 national alcohol blitzes were carried out focussing on public houses, hotels, restaurants and off-licences. A total of 1,110 premises were visited nationwide resulting in 29 seizures of illicit product.

Other Fraud

Revenue, in conjunction with OLAF (EU Anti-Fraud Office), continued to tackle evasion and circumvention of EU Own Resources customs duty, anti-dumping duty and countervailing duty in 2011, with in excess of €400,000 in EU Own Resources being recovered. The EU's Own Resources are amounts collected from member States, comprising revenue from Customs Duties, VAT, Agricultural Levies and a % of a Member State's Gross National Income. Recent Own Resources investigations covered a wide range of goods, including garlic, bicycles and pipe fittings.

In 2011 there were 4,166 seizures of counterfeit goods with a value of €9 million, which represents an increase of 225% on the 2010 figures. Much of this trade in illegal products is fuelled by Internet purchases, with large quantities of cosmetics, clothing, and footwear and fashion accessories being seized. This kind of economic crime does enormous damage to legitimate business and counterfeit goods carry a very significant health and safety risks.

24 CITES related seizures were made in the course of 2011. The purpose of CITES (Convention on International Trade in Endangered Species of wild fauna and flora) is to protect endangered species of fauna and flora, which are threatened with extinction, through controls on international wildlife trade. The seizures included Hoodia Gordonii (an endangered plant used as a food supplement), leather goods made from crocodile and reptile skins, ivory jewellery and coral.

Objective 3.3 – Improve early detection of highest risk evasion

Audit & Risk Evaluation

The main focus of Revenue continues to be on selecting cases for intervention based on the presence of various risk indicators and other information available. This is the type of targeted intervention that gets best results and that is most likely to change the behaviour of the taxpayer into the future. The targeted approach is greatly enhanced by the computerised Risk Evaluation Analysis and Profiling System (REAP) developed by Revenue. This system categorises taxpayers in accordance with defined risk criteria. The system allows for the screening of all tax returns against sectoral and business norms and provides a selection basis for checks or audits.100% of self-assessed taxpayers are risk assessed a number of times a year through REAP. Revenue endeavours to identify the riskiest cases as early as feasible by:

- Getting early access to taxpayer data, which greatly enhances REAP. The continued increase in electronic filing ensures that the Returns are available for risk assessment much earlier than when the bulk of filing was in paper format. [The Corporation Tax electronic filing rate is at 92% (+ 2% from 2010); Income Tax at 81% (+4% from 2010), VAT at 64% (+15% from 2010)],

- Having access to details of payments to taxpayers from various third parties. Payments made by Government Departments and State Agencies to taxpayers are now included in REAP. Access to this ensures that REAP is analysing up to date data,

- Introducing a Real Time Risk Model for PAYE Taxpayers,

- Building a Real Time Risk Model for VAT, for introduction during 2012.

All our interventions, with the exception of our Random Audit Programme (approx. 2.5% of all audits), are informed by risk profiling using REAP. In 2011, 11,066 audits were settled yielding €440.5 million and over 70% of the audits resulted in additional tax revenues. See **Table 15** for overall results and yield.

TABLE 15: AUDIT AND ASSURANCE ACTIVITY

Type of Intervention	Completed 2011	Yield €m	Completed 2010	Yield €m
Comprehensive (All taxheads)	4,717	183.6	4,209	197.1
Multi Tax/Duty Audits	1,236	61.6	1,374	53.6
Single Tax/Duty Audits	3,345	126.9	3,841	111.6
Single Issue/Transaction Audits	1,768	68.4	1,584	72.4
Total Audit Intervention	**11,066**	**440.5**	**11,008**	**434.7**
Assurance Checks	546,502	81.3	454,796	58.0
Total Interventions (Audit & Assurance)	**557,568**	**521.8**	**465,804**	**492.7**

Table 16: Random Audits in 2011

Yield Band	Number of Cases	% of Finalised Cases
Nil	196	69.26
< €2,000	42	14.84
€2,001 to €5,000	32	11.31
€5,001 to €10,000	7	2.47
€10,001 to €20,000	6	2.12
€20,001 to €50,000	0	0.00
> €50,000	0	0.00
Total *	**283**	**100%**

* *The total Random Audit Programme was 400 cases. The balance were ongoing at 31.12.2011.*

Revenue is obliged under EU legislation to implement controls at the time of export of CAP goods and to conduct an audit programme. In the audit period July 2010 to June 2011, the commercial records of 7 selected CAP exporters were examined. These traders had received CAP export refunds amounting to €14.86 million in the period audited, representing approximately 83% of the total export refunds paid by the Department of Agriculture, Food and Marine.

Revenue continued to enhance the quality of all our compliance interventions through:

- Enhancements to our case management systems, which facilitate recording and evaluation of results,
- Developments to our electronic risk evaluation system REAP,
- Access to more third party information,
- Investigating the use of social network analysis to inform risk analysis and compliance programmes.

High Wealth Individuals

Our High Wealth Individuals and Professionals Business Unit have been reviewing the tax affairs of approximately 300 directors and executive/management level employees in the six main financial institutions. Enquiries have been closed in approximately 293 cases and are ongoing in the balance. To date, €1.38 million in tax has been collected from these enquiries.

The Domicile levy was introduced in Finance Act 2010. It is a charge on persons who are Irish Domiciled and are Irish citizens, with Irish assets in excess of €5 million, who have worldwide income of more that €1 million and who have paid Irish income tax of less than €200,000. The Levy is operated on a self-assessment basis and an amount of €200,000 is payable annually, with credit given for Irish income tax paid. 11 returns relating to the tax year 2010 were submitted by the filing date 31 October 2011, yielding €1,667,011 (taking account of credit for tax paid).

Suspicious Transaction Reports

During 2011, 11,070 Suspicious Transaction Reports were provided to Revenue by financial institutions and other designated bodies. Almost 70% of the Reports received were in electronic format assisting risk profiling. 50 of these reports are relevant to ongoing criminal investigations in tax and duty cases. Many others have resulted in recoveries of tax and penalties which would not otherwise have been made. Revenue and HMRC signed an agreement in 2011 to exchange financial intelligence on suspicious transaction reports to facilitate the investigation and prosecution of persons suspected of laundering the proceeds of tax and customs fraud

Vehicle Registration Tax (VRT) Evasion

Two national VRT blitz-type operations were held in 2011. These yielded the following results:

- 5,111 vehicles were challenged,
- 337 vehicles were seized for failure to register /pay VRT,
- 376 warnings were issued to regularise vehicles,
- €117,500 was paid in penalties for release of seized vehicles on condition that they were registered on payment of VRT,
- VRT amounting to €110,626 was collected.

Over the full year, 1,587 vehicles were detected in breach of VRT legislation and a total of €0.83m was collected in VRT and penalties.

Cash Seizures

There were 39 seizures of cash amounting to €1.03 million, mainly at airports and ports. This money is suspected of representing the proceeds of crime or intended for use in criminal conduct. Following such seizures, an investigation is undertaken to establish the link to criminality with a view to securing a forfeiture order in the Courts.

There were 18 cash forfeiture orders amounting to €1.46 million granted by the Circuit Court in 2011. These orders mostly related to seizures made in 2009 with 4 dating from 2008. Forfeiture applications in a further 19 cases, amounting to €1.06 million, were before the Courts at year-end.

Objective 3.4 - Improve coverage of risks in PAYE and non self-assessment cases

Revenue's Risk Evaluation, Analysis and Profiling System (REAP) has been developed to risk assess PAYE taxpayers. The results have been disseminated for use in local PAYE Compliance initiatives. In particular the REAP risk profile of the case is examined when dealing with cases identified for intervention under the PAYE Real Time Risk framework. See our feature on page 42.

During 2011, more than 55,000 PAYE cases were screened for intervention. Tax Credits were reduced or disallowed in more than 24,000 cases with a resultant yield of €14.6million.

Real-time Risk for PAYE went live on 12 July 2011 and is working successfully. Up to the end of December 2011, some 3,200 transactions were successfully stopped resulting in savings of approximately €1m. Further enhancements to the framework will be delivered in 2012.

Another REAP development targeting non-self assessment cases concerns Department of Social Protection (DSP) customers. REAP was used to identify cases that are not registered for tax but have third party data that indicates they may have taxable activity. By and large these were DSP customers.

PAYE Real-time Risk

One of Revenue's key compliance strategies is to strengthen controls to prevent and detect under declaration of income or incorrect claims in real-time as opposed to after the event has occurred. To support this, Revenue has developed a Real-Time Risk Framework (RTRF). The RTRF involves implementing predictive models and associated business rules into Revenue's back-office and public-facing systems to ensure that transactions entering the systems through any channel are risk assessed in real time.

PAYE refunds processing was selected as the initial focus of the RTRF. Involving 2.2 million workers, PAYE taxpayers constitute the largest segment of Revenue's customer base. In 2011, €558m in refunds where total tax deductions were in excess of tax payable issued to this group. Revenue is aware that claimants can make genuine errors in their applications, which can result in the granting of incorrect refunds or tax credits. However there is also the risk of claimants providing false information or misrepresenting their circumstances to reduce the tax they pay or to obtain refunds.

The PAYE RTRF, which complements and strengthens existing checks in Revenue's systems, was launched successfully in July 2011. The RTRF allows erroneous or fraudulent disclosures to be identified before a payment is issued or credit given, rather than by finding the problem in a look-back intervention when the money may be more difficult to recover. To date, the benefits of the RTRF include:

- A reduction in incorrect refund and credits issuing, due to the prevention and detection of non-compliance earlier and in real-time. By the end of December 2011, approximately 3,200 refunds or credit requests with a monetary value of approximately €1m, were blocked, in addition to those captured by pre-existing system checks and validation.
- More effective deployment of Revenue resources through better targeting of cases requiring manual intervention.
- Improved customer service arising from more efficient processing of valid claims.
- Reduction in costs previously associated with investigating and retrieving payments issued to customers that they were not entitled to receive.

Based on international experience, it is also expected that there will be further monetary savings resulting from increased voluntary compliance as word spreads about the new system; where Revenue agencies tighten their compliance systems, there is a corresponding decrease in attempted fraud due to the expectation that fraudulent behaviour will be detected. Revenue intends to further expand the use of predictive analytical models and during 2012, the framework successfully implemented for PAYE will be extended to VAT.

Taking just six months from development to production, the RTRF was a collaborative project involving Revenue's statisticians, business subject matter experts and software engineers in conjunction with global experts to ensure leading edge and international best practice approaches were used. Revenue is now amongst the first tax and customs authorities in the world to have embedded predictive analytical models into its real time processing systems.

Objective 3.5 - Prosecute for serious evasion and fraud

Serious Tax & Duty Evasion

There was a 10% increase from 49 to 54 in the number of suspected cases of serious tax and customs evasion that were accepted by our Prosecutions Admissions Committee for investigation with a view to criminal prosecution. At year-end there were 206 serious tax and customs cases at various stages of the prosecution process.

There were 16 convictions for serious tax offences in 2011. Custodial sentences were imposed in 10 cases. In four of these cases defendants were imprisoned with sentences ranging from 7 months to 30 months, with a fine of €750 being imposed on one defendant. In six cases sentences ranging from 6 months to 4 years were suspended. Fines of €7,900 and €9,000 were also imposed in two of these cases. In one instance the sentence was suspended on condition of community service being completed. In the six other cases fines totalling €32,650 were imposed.

There were 14 convictions for serious customs and serious excise offences. Custodial sentences were imposed in 13 cases. In four of these cases defendants were imprisoned with sentences ranging from 1 year to 3 years. In nine cases the sentence was suspended, with sentences ranging from 6 months to 2 years with a fine of €250 being imposed in one of these cases. In the one other case a fine of €50,000 was imposed.

TABLE 17: PROSECUTIONS FOR SERIOUS EVASION 2011

During 2011	Tax	Customs	Total
No. of convictions obtained (not including cases where guilty pleas entered or adjourned for sentencing in 2011)	16	14	**30**
No. of cases referred to DPP	16	7	**23**
No. of cases for which DPP issued directions	20	14	**34**
No. of cases for which DPP issued summonses	22	31	**53**
Total	**74**	**66**	**140**
At year end			
No. of ongoing investigations	108	7	**115**
No. of cases being considered by DPP	1	0	**1**
No. of cases where directions issued by DPP but not yet in courts process	23	5	**28**
No. of cases before the Courts	21	39	**60**
Bench warrants in place	2	0	**2**
Total	**155**	**51**	**206**

Summary Criminal Prosecutions

There were 497 convictions for summary excise and summary customs offences in 2011. 32 custodial sentences were imposed of which 19 were suspended, with fines imposed totalling €1.12 million. Of the 497 convictions, 148 were for cigarette related offences, 95 for cigarette smuggling and 53 for cigarette selling. A further 13 indictable convictions for cigarette related offences were also secured.

There were 16 convictions for summary tax offences resulting in Court imposed fines totalling €37,750. The offences included fraud cases, failure to produce a Statement of Affairs and non-production of books and records.

TABLE 18 : SUMMARY CRIMINAL CONVICTIONS 2011

Summary cases	No. of successful convictions
Cigarette Smuggling	95
Cigarette selling	53
Alcohol smuggling	7
Counterfeit Spirits	2
Commercial Oil	2
Marked Mineral Oil	224
VRT	20
Excise Licence	94
Tax Cases	16
Total	**513**
Total fines imposed	**€1,171,659**

Civil Penalties & Criminal Prosecutions for not Filing VAT and Employer PAYE/PRSI Returns

- P35 Penalty Programme: In 2011, civil penalties were imposed by the Courts in 600 cases (526 in 2010) with a total value of €2.4 million (€1.87m in 2010).

- VAT Penalty Programme: In 2011 civil penalties totalling €496,000 were imposed in 124 cases for failure to submit VAT returns (€244,000 in 61 cases in 2010).

- VAT/P35 Prosecution Programme: A total of 141 cases were successfully prosecuted during the year and fines amounting to €943,850 were imposed (103 cases with a value of €701,600 in 2010).

Other Non-Filing Prosecutions

- 1,083 convictions were secured, resulting in the imposition of fines totalling €2.6 million for the non-filing of Income Tax, Corporation Tax and Relevant Contracts Tax returns.

- Prosecutions for non-filing of Corporation Tax returns increased by 18.5% compared to 2010, while the fines imposed increased by 24.5%.

- In the case of Income Tax returns, the number of prosecutions fell by 13% while the fines imposed fell by 8.3%.

  See **Table 19**: Prosecutions for Non-Filing of Returns.

TABLE 19: PROSECUTIONS FOR THE NON-FILING OF INCOME TAX, CORPORATION TAX AND RELEVANT CONTRACTS TAX RETURNS

	IT 2011	CT 2011	RCT 2011	IT 2010	CT 2010	RCT 2010
Revenue Solicitor warning letters issued	14,421	1,820	644	12,709	1,615	546
Cases referred for the institution of legal proceedings	1784	153	15	2,273	169	10
Convictions	1,003	77	3	1,152	65	0
Value of Fines imposed	€2,387,935	€183,150	€10,000	€2,603,292	€147,100	0

Investigations

The cumulative total recouped from the major "legacy" investigation projects reached €2.63 billion. Details of the yield from these investigations are outlined in **Table 20**.

The yield from the Trusts and Offshore Structures investigations in 2011 was €4.12 million bringing the total yield to €40.72 million.

TABLE 20: SPECIAL INVESTIGATIONS

Investigation	Yield in 2011 €m	Cumulative Yield €m	Total Cases
Bogus Non Resident Accounts	0.61	648.53	12,175
Offshore Assets	10.59	972.2	15,016
Life Assurance Products	3.51	485.67	5,537
Ansbacher	2.0	109.44	140
DIRT	0	225.0	25
Moriarty/Mahon	0	41.04	23
NIB	0	60.14	312
Interest Reporting	2.12	87.12	1,257
Total	**18.83**	**2,629.14**	**34,485**

Significant Legal Cases

Revenue has an in-house legal department, the Revenue Solicitor's Division, which provides a wide range of legal services to the organisation. These include the conduct of criminal prosecutions, tax appeals before the Appeal Commissioner, litigation in the District, Circuit, High and Supreme Courts, advice in relation to all insolvency matters, and legal interpretation of legislation and on a range of other areas, including administrative law, EU law, human rights and employment law.

During 2011, there were three particularly significant Revenue court cases which are outlined on page 47.

Significant Revenue Legal Cases in 2011

O’Flynn Construction Co. Ltd. v. Revenue Commissioners [2011] IESC 47

The judgment of the Supreme Court in the case of O’Flynn Construction Co. Ltd., delivered in December 2011, was a very important one for Revenue and the State. In the first test of section 811 of the Taxes Consolidation Act 1997 - an important general anti-avoidance provision - the Supreme Court held that Revenue were correct in forming the opinion that O’Flynn Construction Ltd. had engaged in tax avoidance. The case involved an extremely complex transaction involving some 40 individual steps.

The taxpayers, a construction company and its shareholders, had engaged in a tax avoidance scheme designed to wash the profits of the construction company through a company entitled to export sales relief in order to put tax free export sales relieved dividends into the hands of the shareholders. The Supreme Court upheld that the Revenue Commissioners’ opinion that the scheme was a misuse or abuse of the export sales relief provisions and confirmed the opinion of the Revenue Commissioners which withdrew the benefit of the scheme from the taxpayers.

The judgment is an important support for the Revenue Commissioners’ anti-avoidance strategy. It confirms the efficacy of the section in tackling aggressive tax avoidance and provides guidance on the interpretation of the section which will greatly assist in future cases.

Director of Public Prosecutions (DPP) v Daniel Kelleher [2011]

The case of the DPP v Daniel Kelleher was the first joint prosecution between Revenue and the Department of Social Protection. The offences related to making false declarations culminating in the overpayment of €41,000 in Jobseekers Allowance payments.

Daniel Kelleher was charged with 30 offences contrary to section 1078 of the Taxes Consolidation Act 1997. He pleaded guilty to ten of those charges. On the 11th November 2011 at Cork Circuit Criminal Court, Judge Patrick Moran imposed an 18 month custodial sentence in respect of the offence of failure to furnish an income tax return for the year ended 2007. He also imposed a 12 month sentence in respect of the offence of failure to remit value-added tax for the period November/December 2006, both sentences to run consecutively. In addition a custodial sentence of 18 months was imposed for offences committed under the provisions of the Social Welfare Acts.

J.D. Brian Motors Limited (In liquidation) [2011] IEHC 113

In March 2011, Ms Justice Finlay Geoghan delivered a landmark decision in favour of Revenue confirming priority for Revenue’s debt over a floating charge.

This was an application brought by the liquidator of J.D Brian Motors Ltd (In Liquidation) and other related companies within the Belgard Group concerning the interaction of floating charges that had crystallised prior to the commencement of the winding up and s.285 (7) of the Companies Act 1963 which gives Revenue priority over floating charges. It was alleged by the liquidator that once the floating charges had crystallised prior to commencement of the liquidation and become fixed charges, the said charges ranked ahead of Revenue's preferential creditor status. The High Court found that in construing the wording of s.285 (7) of the Companies Act 1963, the preferential debts ranked in priority to assets subject to a floating charge, irrespective of whether or not the floating charge had crystallised prior to the winding up.

The *J.D. Brian* decision should result in the preferential creditors realising a greater return on their debts and thereby a greater return for the Exchequer. However the matter is under appeal to the Supreme Court.

Objective 3.6 - Detect and challenge abusive tax avoidance

Mandatory Disclosure of Certain Transaction legislation came into effect on 17th January 2011. This legislation, which complements the existing range of anti-avoidance measures at our disposal, requires promoters of certain tax-based schemes to disclose them to Revenue shortly after they are first marketed or made available for implementation. It is designed to act as an "early warning" system for Revenue so that schemes that are considered aggressive can be closed down before significant fiscal damage is done. To date, 7 MD1 forms have been received and these are currently under review.

During the year detailed briefing sessions were held in Cork and Dublin for tax practitioners explaining the legislation and regulations.

110 Protective Notifications under Section 811A of the Taxes Consolidation Act 1997 were received in 2011 and are currently under examination. The primary purpose of the protective notification regime is to encourage taxpayers to notify Revenue in relation to transactions that may involve tax avoidance.

Enquiries by our High Wealth Individuals and Professionals Business Unit and our Anti-Avoidance Unit into potential tax avoidance transactions continued throughout 2011. These included enquiries into:

- Financial transactions that give rise to a potential loss of Capital Gains Tax of circa €110 million,
- 11 other financial transactions using a different scheme that give rise to potential tax loss of Capital Gains Tax of circa €13.4 million,
- A series of transactions involving the extraction of funds from a company using discretionary trusts that give rise to potential loss of income tax of €2.4 million.

As a consequence of enquiries into potential tax avoidance transactions regarding the above three schemes, 23 Notices of Opinion under the general anti-avoidance legislation, Section 811 of the Taxes Consolidation Act 1997, were issued in 2011. **Table 21** shows the number of tax avoidance schemes which were under challenge during the year and which are at various stages of the appeal process.

A number of anti-avoidance measures were included in the Finance Act 2011, see Objective 4.1.

TABLE 21: ANTI-AVOIDANCE

Avoidance schemes challenged	2011	2010
Number of schemes under challenge at start year	48	45
+ New schemes challenged during year	3	5
- Decisions on challenge taken during year	1	2
Number of schemes under challenge at year end	50	48

Strategy 4 - Contribute to Ireland’s economic development

In addition to collecting and enforcing tax and Customs laws, Revenue also has a wider role in contributing to Ireland's economic and social development, particularly in creating an environment that promotes economic growth, encourages investment and improves competitiveness.

We do this by actively contributing to the implementation of the Programme for Government’s taxation and reform initiatives to improve the efficiency of our taxation system and to modernise, streamline and simplify both tax legislation and our administrative frameworks.

While the Department of Finance and ultimately the Government are responsible for deciding tax policy, we assist in the process of policy formulation by providing soundly based advice and by recommending changes based on our expertise in tax matters and our experience in administering the tax code. We advocate for changes that can be implemented quickly and effectively by Revenue and business that support tax compliance, simplify tax administration and tax legislation, and optimise electronic delivery. To perform effectively in this role requires Revenue to have a sound appreciation of commercial realities and businesses practices.

Revenue works with other Departments and agencies to implement Government programmes and contributes actively to a very wide range of national fora.

On the international front, we negotiate double taxation treaties and contribute to the development of tax and customs policies and legislation at the EU, the OECD and the World Customs Organisation (WCO). In doing so, we are conscious of the need to promote Ireland as a location for inward investment and to ensure that a balance is struck between security concerns and trade facilitation. Irish officials ensure that Irish concerns are taken into account in drafting any proposals.

Key Results

- Provided advice and drafted legislation for three Finance Bills.
- Universal Social Charge introduced.
- Provisions relating to the taxation of civil partners and cohabitants introduced.
- Tax relief for start-up companies modified to boost employment.
- Legislation relating to the introduction of a temporary stamp duty levy on pension fund assets put in place.
- Pre-consolidation changes made to Excise law.
- By the end of 2011, Ireland had signed comprehensive Double Taxation Agreements with 65 countries.

Objective 4.1 - Provide high quality policy advice and legislation

Budget and Finance Act 2011:

Revenue assisted the Department of Finance in the delivery of Budget and Finance Act 2011 through the provision of policy advice, technical support and draft legislation on a broad range of measures. These included:

- The Introduction of the Universal Social Charge,
- Introduction of a new Employment and Investment Incentive (EII),
- Restrictions on the use of the regime for securitisation of assets (section 110),
- Modification of the 3-year corporation tax relief for start-up companies to ensure that the relief is more focussed on employment,
- Curtailment of certain tax expenditures, including abolition of the tax exemption for patent royalty income and related distributions,
- Measures to counter avoidance of tax on the extraction of profit reserves from privately owned companies for the benefit of shareholders,
- The way in which interest on certain loans is treated for corporation tax purpose was amended (a) by denying a trading deduction for interest payable on intra-group borrowings to purchase certain assets from a connected company and (b) by no longer permitting interest on intra-group borrowings used to finance the purchase of certain assets from another group company to be treated as a charge on income,
- Restriction of tax free element of termination payments,
- Application of the PAYE/PRSI system to share awards,
- Significant changes to pension taxation relating to the extension of the Approved Retirement Fund regime; the revision of the rules governing Approved Minimum Retirement Funds; a reduction in the Standard Fund threshold to €2.3 million; a reduction in the annual earnings limit for tax relief purposes to €115,000 and the taxation of retirement lump sums above €200,000,
- Reduction in the rate of stamp duty on residential property to 1% (2% on consideration over €1 million) and the associated abolition of various reliefs,
- The law applying to the imposition of interest (and penalties, where appropriate) for PAYE underpayments, fraudulent repayments and false claims was strengthened,
- The attachment of wages and salaries as a means of recovering tax liabilities in particular circumstances,
- The introduction of a criminal offence of using electronic devices to manipulate business records with a view to the evasion of tax,
- The provisions relating to the publication of tax defaulters modified to ensure that delaying tactics do not result in non-publication of settlements publishable under the law arising from tax investigations and audits,
- The Finance Act 2011 also contained a provision that provided a clear legislative basis for the treatment as confidential of taxpayer information held by Revenue and making it an offence for Revenue officers to divulge any such information otherwise than as permitted by law,

- Among the excise-related measures included in the Finance Act in 2011 were provisions for the taxation of remote betting and remote betting intermediaries. In addition provision was made for the introduction of a single rate of Air Travel Tax (€3), and for a power for the Minister for Finance to terminate the tax from a date to be appointed by order,

- The Act provided for a range of VAT measures, including measures relating to penalties, mobile traders, deductibility for public authorities and extension of the VAT exemption to designated providers of the public postal service. A reverse charge for the scrap metal industry was also introduced.

Finance (No. 2) Act 2011

Revenue provided advice and support to the Department of Finance on a number of measures included in the Finance (No.2) Act 2011, including:

- The taxation measures in the Jobs Initiative – as announced by the Minister for Finance in May 2011,

- The introduction of an annual stamp duty levy of 0.6% for each of the years 2011 to 2014 on the market value of assets under management in pension schemes approved by Revenue under Irish tax legislation,

- This Act provided for a temporary reduction to 9% in the reduced rate of VAT in relation to the supply of certain tourism related and other services.

Finance (No. 3) Act 2011

- The Finance (No.3) Act 2011 extended the same tax treatment to couples in civil partnerships as married couples and covered all taxes and duties including income, capital gains, capital acquisitions and corporation tax, VAT and stamp duty. Revenue provided advice and support to the Department of Finance on the changes needed to the various tax codes so as to ensure that the same tax treatment was given to civil partnerships as applies to married couples.

- The Act also included a new scheme providing for the tax consequences for cohabitants on the break-up of their relationship and any maintenance requirements that arise as a result of that breakup.

Budget 2012

Revenue provided extensive advice to the Department of Finance on a range of proposals in preparation for the 2012 Budget and assisted in the preparation of Budget Day Financial Resolutions, including those dealing with

- The reduction in the rate of stamp duty on commercial property to 2% with effect from Budget Day,
- The increase in the rates and the reduction in the thresholds applying to Capital Acquisitions Tax,
- The increase in the rate of Capital Gains Tax,
- The increase in Excise Duty on Tobacco Products,
- The increase in Excise Duty on Mineral Oils,
- The increase in the rate of VAT on certain goods and services from 21% to 23%.

Work during 2011 in connection with Finance Bill 2012 included consideration of a significant package of measures for international financial services companies. These included facilitating the management of cash (”cash-pooling”) within an international group that has companies in territories with which we do not yet have a tax treaty, substantial improvements to the research and development tax credit regime and the development of revisions in the law to strengthen the control and distribution of fuels.

Statutory Instruments made in 2011

S.I. No. 658	Universal Social Charge Regulations 2011
S.I. No. 651	Income Tax and Corporation Tax (Relevant Contracts Tax) Regulations 2011
S.I. No. 641	Return of Payments (Insurance Undertakings) Regulations 2011
S.I. No. 517	Taxes Consolidation Act 1997 (Section 960EA) (Payment Of Tax By Credit Card) (Notification By Telephone) Regulations 2011
S.I. No. 424	Mortgage Interest (Relief at Source) Regulations 2011
S.I. No. 410	Customs and Excise (Provision of Information relating to Persons, Conveyances and Goods) Regulations 2011
S.I. No. 273	Returns of Payments (Government Departments and Other Bodies) Regulations 2011
S.I. No. 223	Tax Returns and Payments (Mandatory Electronic Filing and Payment of Tax) Regulations 2011
S.I. No. 222	Stamp Duty (E-Stamping Of Instruments) (Amendment) (No. 2) Regulations 2011
S.I. No. 212	Stamp Duty (Designation of Exchanges and Markets) (No. 3) Regulations 2011. Sigma X MTF operated by Goldman Sachs International
S.I. No. 188	Taxes (Electronic Transmission of Third Party Returns)(Specified Provisions and Appointed Day) Order 2011
S.I. No. 92	Stamp Duty (Designation of Exchanges and Markets) (No. 2) Regulations 2011
S.I. No. 87	Stamp Duty (e-Stamping of Instruments) (Amendment) Regulations 2011
S.I. No. 15	Stamp Duty (Designation of Exchanges and Markets) Regulations 2011
S.I. No. 7	Mandatory Disclosure of Certain Transactions Regulations 2011

Other Regulations

The European Union (Mutual Assistance for the Recovery of Claims relating to Taxes, Duties and Other Measures) Regulations 2011 were drafted, implementing Council Directive No. 2010/24/EU of 16 March 2010. These regulations enable Revenue to assist tax administrations in other EU Member States in recovering amounts due and, under the Directive, Revenue can call on such assistance from Other Member States.

Other Legislation

Revenue provide observations and assistance in relation to a wide range of legislation proposed by other Departments, for example:

- The Property Services (Regulation) Act 2011 set up the Property Services Regulatory Authority and contains provisions to allow for property related information held by Revenue to be exchanged with the Authority,
- The Local Government (Household Charge) Act 2011,
- The Insurance (Amendment) Act 2011 under which Revenue was appointed collector of the levy to fund the Insurance Compensation Fund,
- The Health Insurance (Miscellaneous Provisions) Act 2011.

Engagement with Other Stakeholders

During the course of the year Revenue engaged, both formally and informally, with representatives of tax practitioner bodies and others on a number of important legislative initiatives with a view to the speedy, smooth and effective introduction of these initiatives. Revenue uses a variety of fora (both formal and informal) to engage with those likely to be most affected by the introduction of new legislative initiatives, these include the Tax Advisory Liaison Committee known as TALC (consisting of representatives of Revenue and the various taxation bodies) and its various subgroups and the Customs Consultative Committee. Some of the major consultation exercises included engaging with:

- Tax practitioners, software developers and payroll operators on the introduction of the cumulative basis for the collection of USC
- Various construction industry groups, local authorities, individual major awarders of construction contracts, software developers, payroll operators and tax practitioners on the introduction of the new electronic Relevant Contracts Tax (RCT) system
- The Law Society and tax practitioner groups on the introduction of mandatory electronic filing of stamp duty returns
- Government Departments and other State bodies affected by the new requirement to report annually to Revenue all payments made by Government bodies
- TALC and individual taxation representative bodies on the reform and modernisation of the rules relating to self assessment for income tax, corporation tax and capital gains tax now enacted in the Finance Act 2012.

In addition, Revenue participated actively in the consultation undertaken in 2011 by the Department of Finance on the "Economic Impact Assessment of Potential Changes to Legacy Property Reliefs".

Objective 4.2 - Extend tax treaty network

Tax treaties represent a vital piece of fiscal infrastructure. Where double taxation agreements are in place, Irish businesses are in a better position to take opportunities for investment and trade, because the position in relation to international taxation is certain. By the end of 2011, Ireland had signed comprehensive Double Taxation Agreements (DTAs) with 65 countries. Progress in 2011 on extending the tax treaty network was as follows:

- Ratification procedures were completed for 7 new Double Taxation Agreements in February 2011. These were with Albania, Hong Kong, Kuwait, Montenegro, Morocco, Singapore and the United Arab Emirates.

- Ratification procedures were also completed in February 2011 for Protocols to the existing Double Taxation Agreements with Austria and with South Africa.

- 3 new Double Taxation Agreements were signed in 2011. These were with Armenia (on 14 July 2011), Saudi Arabia (on 19 October 2011) and Panama (on 28 November 2011).

- A replacement Double Taxation Agreement with Germany was signed on 30 March 2011.

- A Protocol to the existing Double Taxation Agreement with Switzerland was agreed in June 2011. A Protocol to the existing double taxation agreement with Luxembourg was agreed in August 2011. Work was also done in 2011 on a Protocol to the Belgian treaty.

- Negotiations for new Double Taxation Agreements were held throughout 2011 with Jordan, Uzbekistan, Ukraine and Qatar. Agreement was reached on all issues in relation to the proposed treaties with Qatar, Ukraine and Uzbekistan. In addition, negotiations were held with Egypt to finalise outstanding issues on a long-standing draft double taxation agreement that had stalled, and agreement was reached in late 2011 on all outstanding points. The process of bringing these 4 new agreements to the signing stage was initiated in 2011.

- The renegotiation of existing treaties with Pakistan and The Netherlands was advanced in 2011.

Work also continued in 2011 on the extension of Ireland's Tax Information Exchange Agreement (TIEA) network. In particular,

- Ratification procedures were completed for 8 new TIEAs in February 2011. These were with Antigua & Barbuda, Belize, British Virgin Islands, Cook Islands, Republic of the Marshall Islands, St. Lucia, St. Vincent & the Grenadines, and Samoa.

- Approval to ratify 2 new TIEAs - with Grenada and with Vanuatu - was obtained in December 2011.

- Negotiations for 4 new TIEAs - with Bahamas, Macao, Montserrat and San Marino - were successfully concluded in 2011 and the process of bringing these agreements to the signing stage was initiated.

Objective 4.3 - Advance Ireland’s tax and customs policy agenda at EU, OECD, WCO and international fora

European Union (EU)

Revenue plays a significant role in assisting and advising the Department of Finance in the formulation of Ireland’s stance in relation to taxation policy and legislative developments at EU level. During 2011, Revenue participated in discussions on a number of key initiatives, including:

Financial Transaction Taxes (FTT):

The draft FTT Directive is designed to harmonise Financial Transaction Taxes at EU level and create a new revenue stream for the EU budget. Revenue has engaged in the technical analysis at EU level while liaising with the Department of Finance and the financial services sector in relation to policy concerns.

EU Taxation of Savings Directive 2003 – Amending Proposals:

The European Commission adopted a proposal in November 2008 to amend the EU Taxation of Savings Directive with a view to closing loopholes and eliminating tax evasion. Revenue and the Department of Finance continue to actively contribute to the development of this proposal which seeks to better ensure the taxation of interest payments transmitted through intermediate tax-exempted structures and to extend its scope to income obtained on other savings and investment products, including certain life insurance products.

Common Consolidated Corporate Tax Base (CCCTB):

The EU Commission published its proposals for a CCCTB in March 2011. This proposal is being examined by a EU Council working group of tax experts. Revenue, along with the Department of Finance, is represented on this group and attended six meetings in this regard in 2011. These meetings focused on a technical analysis of the proposed Directive as well as an examination of the Commission’s impact assessment.

Revision of Energy Tax Directive:

Revenue, in conjunction with the Department of Finance, participated in the negotiations on the proposed revision of the Energy Tax Directive, which commenced during 2011 and are ongoing.

Commission Communication on the Future of VAT

The European Commission published a Communication on the Future of VAT in December 2011. The purpose of the Communication is to set out a blueprint for the reform of the VAT system in the EU with a particular focus on the single market. The Communication includes specific proposals on addressing fraud, the structure of VAT rates, standardising VAT returns and proposes that the definitive system of VAT is based on the destination principle i.e. taxed where consumed. The Communication also proposes the setting up of a tri-partite Tax Authorities Dialogue Platform (TADP) representing the Commission, tax authorities and representatives of business. The primary objective of the TADP is to improve the administration of the VAT system in the EU. The Commission has established a Group on the Future of VAT, in which Member States contribute to the policy discussion. Revenue and the Department of Finance participate in this Group.

Place of Supply Rules 2015

There will be significant changes to the place of supply (taxation) rules for VAT in the EU in 2015, with Business to Consumer transactions of electronic services, broadcasting and telecommunications taxed at the place of consumption. Currently such services are taxed where the supplier is established. This fundamental change to VAT will be underpinned by the establishment of a *Mini One Stop Shop*, which will enable businesses in these sectors to account in one member State for tax arising in other Member States i.e. a business established in Ireland will be able to account for VAT in respect of sales to consumers in other Member States. During 2011, Revenue participated in discussions at EU level on the administrative and technical arrangements for the *Mini One Stop Shop*. The Commission published an Implementing Regulation on the *Mini One Stop Shop* in December 2011, which is currently being discussed at Council.

Administrative Cooperation:

Ireland is also taking part at EU level in discussions on the practical implementation of the new Council Directive 2011/16/EU on administrative cooperation in the field of taxation.

At EU level, meetings of the Electronic Customs Group, the High Level Steering Group and the Customs Policy Group were held. It has now been confirmed that there will be a delay in implementing the Modernised Customs Code. In the meantime the Business Process Modelling of all areas of Customs activities will continue, as will the ongoing work on putting in place an IT Master Plan that would outline the main areas of IT activity in the coming 5 to 7 years.

Revenue has implemented all of the EU Customs mandated systems that arose from various EU legislation over the past three years, with the exception of Safety and Security Risk for exports. This development is not fully operational pending further analysis to ensure that legitimate trade is not adversely affected. Other systems implemented include the Import Control System, Economic Operators System and upgrades to the New Computerised Transit System.

European Court of Justice (ECJ):

Revenue contributed to and coordinated Ireland's defence to 2 separate actions taken by the Commission - the inclusion of pure holding companies in groups for VAT purposes and the application of a rate of VAT (4.8%) below the minimum rate (5%) to the supply of horses and greyhounds, the hire of horses and to nominations in studs.

Revenue also coordinated and prepared Ireland's interventions in two other cases heard by the ECJ, one relating to the VAT treatment of underwriting guarantees, where Ireland intervened to oppose the case presented by the Swedish Tax Authority, and the other relating to the VAT treatment of the sale of bad debts at a reduced value, where Ireland intervened against the German Tax Authority. In both cases the ECJ upheld Ireland's view that the transactions were not taxable.

Organisation for Economic Cooperation and Development (OECD)

Revenue led OECD study of Security and Authentication issues in delivering eServices

This international study, led by Ireland, provides a comprehensive picture of the major security and identity authentication issues faced by OECD member countries in delivering e-services. It examined the solutions implemented or planned, by member countries, in order to draw possible trends and provide recommendations and guidance to revenue bodies. The study was completed and published by the OECD in December 2011.

Committee on Fiscal Affairs (CFA):

Revenue participates at meetings of the OECD Committee on Fiscal Affairs (CFA), which brings together senior tax officials from all OECD member countries. The CFA sets the OECD's work programme in the tax area, which is carried out by groups of experts from participating countries. Groups in which Revenue was actively involved in 2011 include the working parties on:

- Tax treaty issues;
- Tax policy analysis and statistics work;
- The taxation of multinational enterprises (transfer pricing);
- Consumption taxes and
- Exchange of information and compliance.

Further groups on which Revenue participated in 2011 included the steering group on aggressive tax planning, as well as a special group dealing with transfer pricing of intangible assets.

Forum on Tax Administration (FTA)

The OECD's Forum on Tax Administration (FTA) is a forum in which Commissioners from 43 OECD and non-OECD countries engage to identify, discuss and influence relevant global trends and develop new ideas to enhance tax administration around the world. Revenue's Chairman is one of the twelve members of the Bureau that oversees the work of the forum. Its key aim is to improve taxpayer services and tax compliance by helping tax administrations increase the efficiency, effectiveness and fairness of tax administration and reduce the costs of compliance.

Revenue is an active participant in all aspects of the FTA's work. In 2011, a study team led by Revenue concluded and published a report on the implementation of security and identity authentication systems in delivering confidential electronic services. Revenue also participated in and contributed to a number of FTA studies that examined priority areas of interest to international tax administrations, including:

- Working smarter in structuring the administration, in compliance and through legislation,

- Right from the Start: Influencing the Compliance Environment for Small and Medium Enterprises and

- Reducing opportunities for tax non-compliance in the underground economy.

In 2011, on behalf of the FTA, Revenue hosted the annual meeting of the Taxpayer Services Sub-Group and a conference to explore the use of advanced analytics in tax administrations.

World Customs Organisation

At its Council Session in June 2011, Revenue Chairman Josephine Feehily was elected Chairperson of the World Customs Organisation (WCO), one of the largest intergovernmental organisations in the world. In her role as Director General of Irish Customs, the Chairman has represented Ireland at the WCO for over ten years. She previously served as the Vice-Chair for the Europe Region and until recently Chair of the WCO Audit Committee. The Chairman's appointment underpins Ireland's long and committed association with the WCO.

As the WCO's Governing Body, the Council brings together all 178 Member Countries of the Organisation once a year in June. The Policy Commission, established to act as a dynamic steering group to the Council, meets twice a year in December and June and is comprised of 24 WCO Members, elected by the Council on a regional basis. The Council Chair is also the Chair of the Policy Commission.

The Chairman looks forward to being closely and effectively involved in shaping international Customs policy and ensuring trade facilitation, supply chain security, intellectual property right protection and capacity building all remain central to the goals of the WCO.

Global Forum on Transparency and Exchange of Information for Tax Purposes

The Global Forum has been the multilateral framework within which work in the area of transparency and exchange of information has been carried out by both OECD and non-OECD countries since 2000. It is mandated to ensure that all jurisdictions adhere to the same high standard of international cooperation in tax matters.

The international fight against cross-border tax evasion entered a new phase in 2010 with the launch by countries participating in the Global Forum on Transparency and Exchange of Information of a peer review process in respect of specific standards. Ireland was reviewed in 2010 and the report to the effect that all the necessary elements are in place with no significant improvements needed in any of them was published in early 2011. This international confirmation of Ireland's standing as a transparent jurisdiction for tax purposes was a very important outcome for us.

Objective 4.4 - Contribute to successful EU Presidency in 2013

Ireland's Presidency of the EU in 2013:

Ireland's Presidency of the EU in 2013 provides a welcome opportunity to develop EU policies and to revive Ireland's reputation within Europe and internationally. During 2011, Revenue contributed to the advance planning and preparatory work in relation to the Irish Presidency and will continue to do so during 2012.

Enabler 1 - People and Structures

Revenue staffing was 5,962 full time equivalents at 31 December 2011. By 1 March 2012, Revenue staffing had reduced to 5,732, a 13% reduction since 2008.

This reduction in staffing levels has resulted in the loss of critical skills. During 2011, we continued to focus on strengthening knowledge, capabilities, performance management and leadership. Investing in developing our staff and planning for our future workforce will be essential in dealing with the ongoing loss of skills.

Following recommendations from the recent Organisational Review Programme (ORP) review of Revenue, 2/3rds of all Divisions undertook quality of communications surveys. The results of these surveys should assist in improving the effectiveness of our communications.

In tandem with the effective partnership process in place between management, staff and unions Revenue continued to increase its flexibility, efficiency and innovation during 2011. We progressed the Public Sector Reform agenda and implemented our Public Service (Croke Park) Agreement action plan.

Key Results

- Managed overall staffing numbers downwards in 2011 to 5,962, a drop of 114 since 1 January 2011.
- The total expenditure on training and development in 2011 amounted to €6.74 million, representing 2.3% of payroll costs.
- A total of 51 Revenue students graduated from the University of Limerick (UL) with 40 being awarded a BA (Hons) in Applied Taxation and a further 11 students receiving a Diploma in Applied Taxation.
- A structural review of training, including delivery mechanisms, was completed. Implementation plans to strengthen knowledge and capabilities were developed and prioritised.

Objective 5.1 - Improve knowledge, capabilities, leadership and skills

The total expenditure on training and development in 2011 amounted to €6.74 million, representing 2.3% of payroll costs.

Revenue encourages and supports the participation of staff members in relevant and appropriate third-level educational programmes. In 2011, a total of 51 Revenue students graduated from the University of Limerick (UL) with 40 being awarded a BA (Hons) in Applied Taxation and a further 11 students receiving a Diploma in Applied Taxation. This has contributed to maintaining the supply of critical skills and knowledge needed to achieve Revenue's business objectives.

We completed a structural review of training, including delivery mechanisms. Implementation plans to strengthen knowledge and capabilities have been developed and prioritised. We also reviewed ways of improving staff capability in the areas audit and Information and Communications Technology (ICT) in 2011.The training regime was considerably expanded to encompass new developments in audit techniques and to provide enhanced support for audits dealing with customs, excise and capital acquisitions tax. E-Audit training was integrated into Revenue's mainstream Audit Training Programme in 2011 with all students receiving training in this area.

The range of online learning materials made available to Revenue staff increased significantly in 2011. This innovative use of technology has resulted in smarter working, greater efficiencies and better use of resources.

To facilitate the successful rollout of Phase 3 of the Excise Movement and Control System (EMCS), trainers designed and delivered training on the Guarantee Management element of the system.

Revenue undertook a detailed workforce analysis to establish mission critical posts that require to be filled, and identified a number of audit and investigation, analytics and ICT posts. Some of these posts will be filled by way of internal redeployment and we received sanction to recruit ICT staff in 2011. An Administrative Officer (AO) ICT competition was held in late 2011, seven AOs started in first quarter 2012. In addition, we recruited a Principal Officer for Revenue's Programme Management Office and an Economist. We are in discussion with the Department of Public Expenditure and Reform to agree a framework to fill further such critical posts by way of external redeployment, or open recruitment if necessary.

The Civil Service-wide changes to the Performance Management & Development System (PMDS) were rolled out across Revenue in late 2011. They were augmented by revised guidelines on managing underperformance. Both are used to support and drive performance and productivity across the organisation. Engagement across the organisation with PMDS is high, with over 95% of 2011 end of year reviews completed.

Objective 5.2 - Better match structures and staff deployment to evolving strategy

Revenue developed a revised staffing allocation model to meet changing priorities and its reduced Employment Control Framework 2012 staffing targets of 5,774. An integrated approach to staff mobility and workforce planning was put in place in September. Implementation is ongoing in conjunction with internal redeployment to address gaps arising from early retirements.

The inputs phase of a Performance Measurement Reporting System has been completed which will allow better programme comparison and closer integration of workforce and business planning. It also allows managers to track changes in staff assignments, as staff are redeployed to meet changing business priorities.

Revenue achieved its Gender Equality Targets for 2011, see **Table 22** for details.

TABLE 22: GENDER EQUALITY

Grades	Target % posts to be held by women by end 2011	% of posts held by women at end 2011
Higher Executive Officer (HEO) / Administrative Officer (AO)	49%	49%
Assistant Principal (AP)	31%	32%
Principal Officer (PO)	25%	26%

Objective 5.3 - Improve engagement and communication with our staff

In line with Revenue's commitment to improve internal communications the majority of Revenue Divisions carried out staff surveys in 2011. The remainder are planned for 2012. Action plans are being developed to address issues raised by the results and analysis.

Revenue has well-developed partnership structures at national, divisional and local level. These are important fora for engagement and communication with our staff. In 2011, the national Revenue Partnership Committee met on five occasions to consider a wide range of business developments. In addition, a small number of single issue Partnership Intensive Groups were established to address business issues. These included two very successful intensive groups on VRT Redesign and on internal handling of PAYE Repayments. Local partnership groups were also active, particularly in relation to designing internal communications surveys and developing action plans to address any issues raised.

Objective 5.4 - Increase flexibility, efficiency and innovation

Revenue continued to increase its flexibility, efficiency and innovation during 2011, progressing our contribution to Public Sector Reform. Much of this has been achieved through the innovative use of technology, for example progressing online operations, reported in more detail under Enabler 2. It has also been achieved through the flexible re-deployment of staff to meet emerging business needs, for example increasing the resources on debt management operations.

In addition, Revenue:

- Managed overall staffing numbers downwards to 2011 ECF of 5,944 – Staff numbers at end of December were 5,962, a drop of 114 during 2011.

- Rebuilt internal ICT capacity by commencing recruitment of 40 ICT staff at Administrative Officer (AO**)** and Executive Officer (EO) levels – AO ICT competition advertised in September. Panel (10) in place on 12 December.

- Promoted on merit in 100% of cases.

- Conducted open recruitment competitions to fill key gaps and strengthen capability.

- Continued with our graduate internship programme in 2011. Students were engaged and worked on a number of business analytics and economics projects. A new internship programme for a Library Assistant was also put in place.

- Recruited Temporary Clerical Officers for peak activity, for example in the Collector General's Division.

- Revenue implemented its Transforming Public Service (Croke Park) 2010 - 2014 Action Plan.

Enabler 2 - Technology and processes

Revenue has always viewed ICT as fundamental to our business operations. ICT plays a pivotal role in driving efficiency and quality improvements. It is at the heart of reducing processing and contact costs, and of getting an increased return from our compliance, audit and enforcement activities.

During 2011, we delivered a wide range of new e-services for both internal and external customers. We are actively investigating the new possibilities for service provision in an era of cloud computing and pervasive social media and smart phones.

Key Results

- A range of new electronic systems delivered, including new systems for the Universal Social Charge and Capital Gains Tax, expanded e-registration, real time risk for PAYE, an analysis Tool to examine cases for tax arrears and an internal Performance Measurement and Reporting System.

- The planning phase of a new Electronic Manifest System for Customs has concluded and a phased implementation approach is being progressed.

- Progress was made on a number of reviews to assist in streamlining administration and collection. This included the completion of a Value For Money (VFM) Review of Solicitor Enforcement, the completion of a review of smaller Revenue offices in the BMW Region and the initiation of a review of allowanced posts.

Objective 6.1 - Deploy leading edge technologies to facilitate and drive excellent performance and delivery

During 2011 a number of projects were successfully implemented, including:

- Cumulative Universal Social Charge.
- New electronic Relevant Contracts Tax system.
- Online registration for a range of taxes.
- Introduction of a real-time risk framework (for PAYE initially) using predictive analytics to better detect errors, misuse and fraud at point of entry.
- A significantly revamped Case Management application to support revised processes.
- Safety and Security rules for Export Control Systems.
- Vehicle Registration Tax developments.
- EU Business Statistics.
- Tax Relief at Source developments.
- EU Exchange of Information.
- Internal Performance Measurement and Reporting System.

A number of internal systems continued to be actively developed during 2011:

- Business intelligence systems for the analysis of tax arrears and management of the Revenue case base will be deployed in early 2012.
- New entity mapping and geographic information systems are being introduced.

The contract for a desktop virtualisation solution was awarded in December after a competitive dialogue process. Implementation has commenced. A programme is in place to consolidate local printers into fewer shared devices on an ongoing basis. The virtualisation project will help drive this latter initiative.

The planning phase of a new Electronic Manifest System for Customs has concluded and a phased implementation approach is being progressed. Trade will be kept informed of progress through regular updates to the Customs Consultative Committee and organised workshops and seminars.

Enhancements to the Excise Movement Control System, an electronic system that facilitates the movement of duty-suspended excisable goods within the EU, were developed during 2011 and introduced in January 2012. They included national extensions for Guarantee Management and Risk Assessment.

Over 99% of payments for goods and services supplied to Revenue are now made electronically.

VIES and Intrastat

Changes to the Intrastat system (system for the collection and compilation of trade statistics) to make the system simpler and more business-friendly were progressed during the year. These changes were complimented by the High Level Group on Business Regulation.

The VAT Information Exchange System (VIES) was developed to handle very large returns from e.g. Internet traders. Changes to related statistical systems were developed in tandem.

The phased introduction of mandatory electronic filing for VIES continued with 96% of traders now using this channel.

Objective 6.2 - Generate internal efficiencies and reduce compliance costs

Progress was made in 2011 on a number of reviews to assist in streamlining administration and collection. This included the completion of a Value For Money (VFM) Review of Solicitor Enforcement which will be published shortly, the completion of a review of smaller Revenue offices in the BMW Region and the initiation of a review of allowanced posts.

In 2011, and for the fifth year running, Ireland was ranked the easiest country in the EU in which to pay taxes, and the fifth easiest in the world (according to 'Paying Taxes 2012 – The Global Picture', a report by the World Bank and PricewaterhouseCoopers).

Revenue has instigated a review of customer contacts with Revenue with the aim of eliminating inefficiencies. The initial focus of the review is on PAYE sector contacts. Work has been completed on the identification of the main contact categories that lead to the highest support costs within Revenue. Revenue is now reviewing operation of these contact categories with the aim of improving both their efficiency and quality.

The operation of RCT was reviewed in 2010 and following an intensive period of IT development and preparation during 2011, the new system was introduced on 1st January 2012, see feature in relation to eRCT on page 67.

In line with the Government's target to reduce the administrative burden of regulation on business by 25% by end 2012, Revenue is measuring the cost of the regulatory burden on business and the resulting savings achieved by the implementation of simplification measures. For example, Revenue's On-line Service (ROS) now provides pre-population of the Income Tax and Corporation Tax return forms with the previous year details. This initiative greatly simplifies and speeds up the completion of these annual return forms for all Income Tax and Corporation Tax ROS filers.

The Revenue Board has approved the recommendations from a review of shift-based computer operations. Implementation is now being progressed with staff and their representatives with a view to providing 24/7 support in the context of the ongoing extension of electronic services and the provision of hosting services to other Government Departments.

eRCT

The Relevant Contracts Tax (RCT) system was introduced in 1970 to address compliance issues prevalent in the construction sector. The scope of the tax was subsequently subsequently extended to include Forestry and Meat Processing operations. One of the key concerns for business was the administrative burden placed on them by the paper processes in the operation of RCT. At the height of the construction boom, well over 1,000,000 paper forms were generated by the system annually. Many of the forms had to be jointly completed by both the principal and the subcontractor. This paper mountain also impacted on Revenue's ability to manage the tax efficiently and created opportunities for fraudulent activity.

As outlined in the Annual Report for 2010, the operation of RCT was reviewed in 2010 and recommendations were made to introduce significant reforms to enhance its effectiveness, reduce opportunitiis for fraud and help decrease the administrative burden for businesses and Revenue. These were reflected in the Fiance Act, 2011. Following an intensive period of IT development and preparation, the new system was introduced on 1st January 2012.

The new system simplifies and streamlines the operation of RCT by

- Eliminating paper forms,
- Simplifying the RCT process,
- Pre-populating returns with information already returned to Revenue,
- Providing self service channels,
- Reducing errors and delays associated with paper systems.

For contractors using their own software to connect to Revenue, the processes can be integrated so that the interaction is seamless.

The new system has an online contract notification process that replaces the forms RCT1 and RCT 1E. The online payement notification process replaces the forms RCT46, RCT47 and RCT48, allows Revenue to pre-populate the periodic returns and removes the annual return RCT35. For subcontractors, there is no C2 application process (rates are applied based on current compliance) and there is automatic registration for RCT where the customer is known to Revenue. RCT credits are automatically updated to the subcontractor's account and are available for offset against other tax liabilities or for refund when the IT or CT liability for the period has been settled.

The system breaks new ground in that all transactions between principal contractors and Revenue are electronic and in real time. This allows Revenue to target cases where compliance is an issue and levels the playing field between compliant and non-compliant contractors.

Revenue can now use real time information to intervene much earlier in cases where Revenue is at risk. It has also allowed Revenue to reduce the tax withheld from substantially compliant contractors to 20%, a rate that more closely reflects their true liability for the year, while retaining the 35% rate for cases that are unknown to Revenue or that have compliance issues they are not addressing.

While it has only been in operation since 1st January 2012, we are greatly encouraged by the level of activity in the new system. To date, 8,305 principals have notified 57,815 new contracts in the system, in addition to the 211,434 contracts automatically updated by Revenue to ease the transation to the new system. 136,496 payments with a value of €1.6 billion have been made in the new system and 32,070 returns have been made for the months of January and February.

Despite some unexpected issues that will arise in major IT developments of this kind, feedback on the system is generally positive and the benefits are being realised. The issues that arise affect small numbers, and are being dealt with as a priority with little or no disruption to the normal business activity of the contractors involved. Transitional arrangements were put in place to allow contractors time to upgrade their systems and become confident and comfortable with the new way of operating the RCT system. Over the coming months we will be carrying out Educational/Awareness visits to contractors to monitor how well the system is working and to identify any issues that need to be addressed.

Objective 6.3 - Increase contribution to cross-governmental programmes

We recognise the critical importance of the public sector working together to deliver Government priorities and to leverage efficiencies. To that end we provide a range of services for other Departments and Agencies, including hosting computer servers, tax clearance and printing and mailing and we contribute to a broad range of cross departmental bodies and programmes including:

- HRMS Central Records (HRSSC) and other shared service projects such as Payroll and Pensions,
- A number of Revenue-Department of Social Protection working groups addressing processes, information sharing and technical services of mutual interest – with oversight by a high-level Assistant Secretary-led group,
- Data sharing with the Health Services Executive – Primary Care Reimbursement Service (PCRS),
- Board membership of IAASA – The Irish Auditing and Accountancy Supervisory Authority,
- Collecting a range of contributions and levies on behalf of other agencies, the most recent of which is the Nursing Home Ancillary State Support (Fair Deal) Scheme, yielded €1.4 million in 2011.

In the policy development sphere, Revenue participates in:

- The Advisory Group on Tax and Social Welfare -established in June 2011, the Group is addressing a number of specific issues around the operation and interaction of the tax and social protection systems,
- A number of Revenue -Department of Social Protection working groups are addressing processes, information sharing and technical services of mutual interest, with oversight by a high level Assistant Secretary Group,
- Hidden Economy Monitoring Group - the Group chaired by Revenue, provides a forum for the exchange of views on the effectiveness of measures introduced in combating the hidden economy,
- Revenue continues its commitment to supporting the Government's National Drugs Strategy for 2009-2016 as a member of the Oversight Forum on Drugs where we advise the Minister on supply reduction issues and emerging trends and threats,
- The Public Sector Reform Group - the cross-Departmental group is committed to delivering on a range of initiatives identified to meet the Government's public service reform targets,
- The new Public Service Chief Information Officers Council, to coordinate ICT developments across the public service,
- Single Customer View Project, led by the Department of Public Expenditure and Reform to provide a single set of basic data on public sector customers,
- Human Resources Shared Service Centre Project, progressing a shared service approach to HR transactions,
- The IFSC Clearing House Group - The Group is mandated to identify and consider issues of importance to the long-term development of the international financial services industry in Ireland,

- Inter-Departmental Group on Property Tax – This group is considering the design of an equitable property tax, to be approved by Government, to replace the household charge,

- Risk-Based Enforcement Working Group, to deliver a more efficient inspection regime based on risk assessment and analytics,

- High Level Group on Business Regulation, tasked with taking measures to reduce the administrative burden in a number of specific regulatory areas, including taxation,

- The Company Law Review Group – The Group is a statutory advisory expert body charged with advising the Minister for Minister for Jobs, Enterprise and Innovation on the review and development of company law in Ireland,

- Data sharing with the Health Services Executive – Primary care Reimbursement Service (PCRS).

Enabler 3 - Governance

Revenue wants the community, the Government and all our stakeholders to have the highest possible trust and confidence in the integrity, quality and efficiency of our operations and in our contribution to economic and social development.

In 2011 we improved our approach to performance evaluation and outcome measurement. We did this by piloting new compliance measurement and evaluation frameworks. We also put in place phase 1 of a new Management Information Framework with the introduction of an inputs dashboard.

Key Results

- Revenue continued to deliver value for money in 2011. The Cost of Administration as a % of Gross Collection was 0.92%. This is a reduction from 0.98% in 2010.
- Phase 1 of our new Performance Measurement Reporting System was successfully implemented with the completion of an input cost dashboard.
- In 2011 we strengthened the legislation on the confidentiality of taxpayer information in Section 77 of the Finance Act 2011.
- A progress report on the implementation of the ORP action plan, published by the Department of Public Expenditure and Reform, found that Revenue has made substantial progress during the past year.

Objective 7.1 - Improve performance evaluation and outcome measurement

Compliance measurement and evaluation frameworks

During 2011 we improved our Management Information Framework. Phase 1 of our new Performance Measurement Reporting System (PMRS) was successfully implemented with the completion of an input cost dashboard. The PMRS Input dashboard provides managers with data on the functions assigned to all staff in Revenue. This information allows managers to link inputs to outputs and outcomes, improving the monitoring of efficiency and effectiveness. It also allows managers to track changes in staff assignments, as staff are redeployed to meet changing business priorities. The improvements in our output reporting system will commence in 2012.

The introduction of new case management systems contributed valuable information to a more robust evaluation of our programmes. Dashboards, which provide ready access to compliance intervention statistics, are also an essential tool in quality analysis.

Her Majesty's Revenue & Customs (HMRC) initiated a project involving tax administrations from Australia, Canada, France, Ireland, Netherlands, New Zealand, Poland, Spain, South Africa and the United Kingdom, to benchmark specific aspects of tax administration and to identify areas of best practice. Metrics and data from all participating administrations, including Revenue, were collected and a detailed analysis conducted. A final report was published by HMRC in late 2011. Overall, Revenue compares well to its peers. A more detailed analysis is being undertaken by Revenue to optimise learning from this exercise.

The Innovation Value Institute Consortium (IVI) gave Revenue a very positive "capability maturity" rating. Our IT Executive approved recommended next steps in selected areas that might be further developed in tandem with other planned Revenue initiatives. These cover Benefits Realisation, Total Cost of Ownership (TCO), Knowledge Management, and Innovation. Work on these is now underway.

Objective 7.2 - Improve risk management approaches to corporate and other risks

During 2011 consultants were engaged to carry out a review of Enterprise Risk Management in Revenue. The primary objective of the project was to assess Revenue's current risk maturity level, and to identify future improvement options.

As a result of this review, risk management practices were integrated into the 2012 Business Planning process. Risk identification, assessment and management are now part of the annual business planning framework.

Revenue's planning process which incorporates the Statement of Strategy, Annual Corporate Plan and Annual Business Plans, is designed to ensure that the key goals of the organisation are achieved over the period covered by the Statement of Strategy. Any significant emerging issues or risks, which may impact on the achievement of Revenue's Corporate Priorities and objectives, are identified and addressed within this framework.

Objective 7.3 - Ensure data privacy and security

Taxpayer confidentiality has always been a key principle for Revenue and now more so than ever and data protection and security is fundamental to our work. Section 77 of the Finance Act 2011 has enshrined taxpayer confidentiality in law. This has the effect of also setting out the circumstances where Revenue can disclose information, and makes it an offence for any Revenue officer to disclose taxpayer information unless authorised by law to do so.

Any person who transacts business with Revenue can request copies of their personal information and 26 such applications were received in 2011. Usually, such requests are granted in full, with the exception of information which may be redacted under the Data Protection Acts. In addition 14 enquiries/investigations were initiated by the Data Protection Commissioner, which were finalised to the satisfaction of the Commissioner.

Objective 7.4 - Deliver our ORP Action Plan

A progress report on the implementation of the Organisational Review Programme (ORP) action plan, published by the Department of Public Expenditure and Reform, found that Revenue has made substantial progress during the past year in acting upon the key findings of the ORP review. The report accentuated the need to build on the good platforms for progress which have been put in place, notably on the replenishment of corporate memory loss, the allocation of staff and the management and measurement of performance.

Objective 7.5 - Deliver Value for Money

Revenue continued to deliver value for money in 2011. The Cost of Administration as a % of Gross Collection was 0.92%. This is a reduction from 0.98% in 2010. See **Table 23**.

Revenue is fully compliant with the Prompt Payment of Accounts Act 1997 and the European Communities (Late Payment in Commercial Transactions) Regulations 2002 – see **Table 24**.

In 2011, the Waste Removal contracts for all Revenue Offices were centralised. This will yield significant savings to the Organisation over the 3-year period of the contract.

Despite increases in global fuel prices during 2011 our initiatives to improve energy consumption efficiency in the Organisation continued to yield savings with the total spend on energy down 11% on 2010.

As part of consolidating its operations, Revenue vacated a number of small offices during 2011:

- The Square, Tallaght
- Howth Offices
- Drogheda.

TABLE 23: COST OF ADMINISTRATION

	2011	2010
Cost of Administration as a % of Gross Receipts	0.92%	0.98%

CHART 4: TOTAL EXPENDITURE WAS €391,892, 000 BROKEN DOWN AS FOLLOWS:

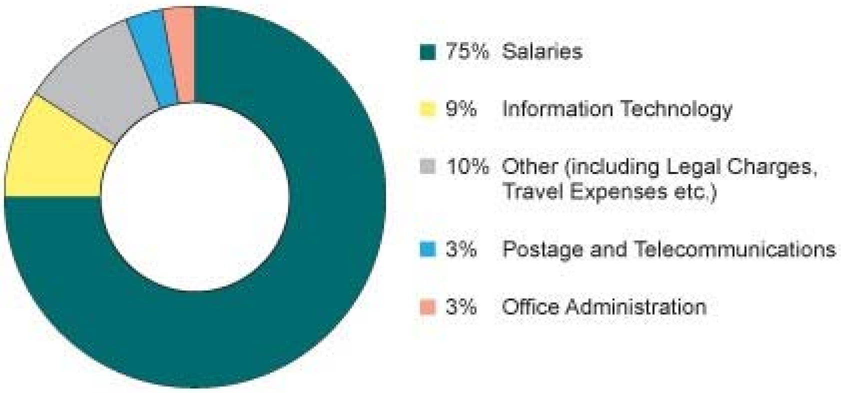


Table 24: Payment of Accounts Statistics 2011

Payments	Value
Total value of all payments	€94,581,471.12
Total value of all late payments (including those under €317)	€3,643.00
Value of late payments in excess of €317	€3,643.00
Value of total late payments as a percentage of total payments	0.004%
Number of late payments in excess of €317 (Invoice Value)	3
Amount of interest paid on all late payments	€39.14
Amount of interest on all late payments as a percentage of total payments	0.00004%
Average delay in days (Invoices in excess of €317)	97

TABLE 25: REPRESENTATIONS RECEIVED BY THE CHAIRMAN'S OFFICE FROM PUBLIC REPRESENTATIVES IN 2011

Name	General Issue	On behalf of a Person	Total
Ahern, Noel		1	1
Bannon, James		1	1
Breen, Pat		2	2
Broughan, Thomas		3	3
Browne, John		1	1
Bruton, Richard		5	5
Byrne, Eric		1	1
Calleary, Dara		2	2
Cannon, Ciarán		1	1
Coffey, Paudie		1	1
Collins, Niall		8	8
Connick, Sean		1	1
Costello, Joe		4	4
Coveney, Simon		3	3
Cowen, Brian		4	4
Creighton, Lucinda		2	2
Daly, Jim		2	2
Dempsey, Noel		1	1
Fleming, Sean	1	1	2
Gilmore, Eamon	1	1	2
Harrington, Noel		1	1
Healy Eames, Fidelma		1	1
Kelly, Alan		1	1
Kenny, Enda		12	12
Lenihan, Brian	4	36	40*
Lynch, Ciaran		1	1
McCarthy, Michael		1	1
McEntee, Shane		1	1
McNamara, Michael		1	1
Naughten, Denis		3	3
Noonan, Michael	4	38	42**
Ó Cuív, Éamon		1	1
Ó Domhnaill, Brian	1	2	3
Ó Fearghaíl, Seán		1	1
O'Donovan, Patrick		1	1
O'Mahony, John		1	1
Penrose, Willie		3	3
Perry, John		3	3
Quinn, Ruairi		1	1
Rabbitte, Pat		2	2
Sargent, Trevor		1	1
Shatter, Alan		2	2
Smith, Brendan		2	2
Varadkar, Leo	1	9	10
Wall, Jack		1	1
Totals	**12**	**171**	**183**

. * 24 of these were referred to Revenue for draft reply, where elected representatives and private individuals had made representations to the Minister for Finance in the first instance.
** In addition, the Minister for Finance referred 92 representations made to him to Revenue for direct reply.

Corporate Governance

The administration and management of taxes and customs is vested in the Revenue Commissioners, who are independent in the performance of their functions for the purposes of relevant enactments as listed in Section 101 (3) of the Ministers and Secretaries (Amendment) Act 2011. The Board of the Revenue Commissioners consists of three Commissioners, one of whom is Chairman. The Chairman is the Accounting Officer for Revenue and the Head of the Office under the Public Service Management Act 1997.

The Board meets regularly to deal with a broad range of issues pertaining to Revenue, including strategic direction, the setting of key corporate priorities, financial and risk management, internal audit reports and minutes of Audit Committee meetings, senior management appointments and resource deployment. The Board reviews compliance with other legislation such as the Ethics in Public Office Acts, the Freedom of Information Acts and the Prompt Payment of Accounts legislation.

The Board reports annually to the Minister for Finance on the implementation of Revenue's Statement of Strategy, as required by the Public Service Management Act 1997.

A formal system of delegation to each Assistant Secretary is in place, in accordance with the Public Service Management Act, with specified lines of responsibility and accountability to the Board. These responsibilities include the management of risk and of divisional resources. In addition, the Board has formally delegated responsibility for certain Human Resource Management matters to Assistant Secretaries as a group.

Management Advisory Committee (MAC)

A Management Advisory Committee, consisting of the Board and all Heads of Division (at Assistant Secretary level), meets at least once a month to monitor performance across the organisation. The MAC reviews existing programmes and priorities to ensure that they remain responsive to emerging developments, deals with business issues which have cross-divisional impact and plays a key role in managing corporate risk.

Ethics in Public Office Acts 1995 and 2001

All Revenue officials at Assistant Principal level and above, as well as certain other officials, involved, for example, in procurement decisions, are required to submit an annual Statement of Interests under these Acts. In addition, the Board members are required to submit a Certificate of Tax Clearance not more than nine months before or after taking up duty.

Civil Service Code of Standards and Behaviour

The Code forms part of the terms and conditions of service of all Civil Servants. It underpins the existing rules in many areas, including Revenue’s own Code of Ethics, and sets out the main principles, standards and values that the Civil Service espouses and upholds.

The Civil Service Regulation (Amendment) Act 2005

The Civil Service Regulation (Amendment) Act 2005 gives each Secretary General/Head of Scheduled Office, as appropriate authority, responsibility for managing all matters relating to performance, conduct and discipline of civil servants below Principal Officer level. (Ministers and Government continue to be the appropriate authority for these matters in relation to civil servants at or above Principal level). The Act and the revised Civil Service Disciplinary Code came into effect on 4th July 2006.

Internal Audit

The Board places a high degree of importance on having systems and processes independently examined and assessed by Revenue's internal audit function. An audit plan is prepared each year, following consultation with the Board, senior management, Audit Committee and input from the Director of Internal Audit. The Chairman of the Board approves the plan. The Director of Internal Audit reports directly to the Chairman, as Accounting Officer.

An Audit Committee provides independent governance assurance to the Revenue Board. The committee is made up of five members, four of whom are from outside Revenue. The role of the Committee is to oversee the internal audit function and to provide objective advice to the Revenue Board in relation to its operation and development.

Audit Committee Membership

- Mr. Gerry Kearney, Chairman and former secretary-general of the Department of Community, Rural and Gaeltacht Affairs.
- Ms. Siobhán Lawlor, Principal Officer, Department of Social Protection.
- Mr Eugene Creighton, Assistant Secretary, Income & Capital Taxes Division, Revenue.
- Mr. Richard Murphy, Principal Auditor, Local Government Audit Service, Department of Environment, Community and Local Government.
- Mr. Tommy Quinn, Head of Corporate Services, Public Appointments Service, Chapter House, 26/30 Abbey Street Upper, Dublin 1.

Appeals

Taxpayers have rights of appeal to the Appeal Commissioners and the Courts in relation to a range of tax and duty issues. Depending on their complexity, certain appeals can take a considerable time to bring to finality.

Table 26 sets out the decisions given in appeal cases at the various stages in 2011.

TABLE 26: OUTCOME OF APPEALS IN 2011

	Total 2011	Decided		Settled or Withdrawn
		Won by Revenue	Won by Appellant	
Number of Cases at Supreme Court stage	1	1		
Number of Cases at High Court stage	7		1	6
Number of Cases at CCJ stage	15	10	2	3
Number of Cases at Appeal Commissioner stage	84	26	22	36
Total	107	37	25	45

Joint and Internal Review Procedure

Taxpayers who are dissatisfied with Revenue's handling of their tax affairs can have their case reviewed, either internally by a senior Revenue officer or by an External Reviewer acting in conjunction with a senior Revenue officer. The number of taxpayers requesting Joint and Internal Reviews in 2011 is set out in **Table 27**.

TABLE 27: INTERNAL REVIEWS IN 2011

	Internal	Joint	2011 Total	Internal	Joint	2010 Total
Number Received	22	63	85	20	51	71
Number Finalised	20	54	74	19	44	63
Decision Upheld	13	42	55	7	35	42
Decision Revised / Partly Revised	2	8	10	8	7	15
Withdrawn or agreed prior to being sent to Reviewers	5	4	9	4	2	6

Ombudsman

In 2011, the Ombudsman received **134** complaints relating to Revenue and finalised **118** complaints. **Table 28**: Complaints relating to Revenue made to the Ombudsman in 2011 and **Table 29** Complaints relating to Revenue completed by the Ombudsman in 2011 provide further summary information.

TABLE 28: COMPLAINTS RELATING TO REVENUE MADE TO THE OMBUDSMAN IN 2011

Total Received and Subject	Number of Complaints
Income Tax	46
VAT/ Inheritance Tax/ CGT	26
Customs & Excise	6
Stamp Duty	2
Delay/no response to Correspondence	10
Miscellaneous	29
VRT	15
Total	**134**

TABLE 29: COMPLAINTS RELATING TO REVENUE COMPLETED BY THE OMBUDSMAN IN 2011

Total Completed and Outcome	Number of Complaints
Not Upheld	22
Withdrawn	56
Discontinued	17
Assistance Provided	16
Partially Resolved	1
Resolved	6
Total	**118**

Freedom of Information

Revenue's Freedom of Information publications under Section 15 of the FoI Acts (structure, organisation, functions, services and records of Revenue) and Section 16 (rules, procedures, practices, guidelines and interpretations of Revenue) are updated as required and published on our website.

Table 30: FOI Requests

FOI Requests	2011	2010
Received	232	194
Released in Full	80	73
Released in Part	86	57
Refused	32	26
Dealt with outside of FOI/Withdrawn/Transferred	31	24
Requests for Internal Review	25	18
Appeals to the Information Commissioner	2	10

Assistant Secretaries

Philip Brennan
Dublin

Tony Buckley
South West

Niall Cody
Planning

Eugene Creighton
Income & Capital
Taxes

Paul Dempsey
Corporate Services &
Accountant General

Willie Funnell
Customs

Gerry Harrahill
Collector General

Gerry Howard
East South-East

Joe Howley
Border Midlands West

Marie-Claire Maney
Revenue Solicitor

Gerard Moran
Indirect Taxes

Frank Mullen
Large Cases

Eamonn O'Dea
Corporate Business &
International

Breda Ruddle
Investigations &
Prosecutions

Liam Ryan
Information, Communications
Technology & Logistics

Senior Management Changes

- Mr. Michael O'Grady, Commissioner, retired on 1 February 2012.
- Mr. Willie Funnell, Assistant Secretary, retired on 29 February 2012.
- Mr. Frank Mullen, Assistant Secretary, retired on 29 February 2012.

Following a Top Level Appointments Commission (TLAC) competition, the Taoiseach, Enda Kenny, TD, appointed:

- Mr. Niall Cody as Commissioner on 1 February 2012.

Following a Top Level Appointments Commission (TLAC) competition, the Minister for Finance appointed:

- Marie-Claire Maney as Assistant Secretary/Revenue Solicitor on 31 January 2011.

- Paul Dempsey, as Assistant Secretary on 19 May 2011.
  The Revenue Board has assigned Mr Dempsey to Corporate Services Division

- Breda Ruddle, as Assistant Secretary on 19 May 2011.
  The Revenue Board has assigned Ms. Ruddle to Investigations & Prosecutions Services Division.

Appendix

Donation of Heritage Items

Section 1003 of the Taxes Consolidation Act 1997 provides for a credit against tax liability where a taxpayer donates certain heritage items to the national collections. The following items were donated in 2011:

- The Seamus Heaney Archive valued at €1.75 million.

Since 2009, the tax credit available to the donor of heritage items is an amount equal 80% of the market value of such items, where the market value is established under the terms of section 1003. The value shown is the market value of the items.

Donation of Heritage Property to the Irish Heritage Trust

Section 1003A of the Taxes Consolidation Act, 1997 provides for a credit against tax liability where a taxpayer donates certain heritage property to the Irish Heritage Trust or the Commissioners of Public Works in Ireland.

- There was no donation under this scheme in 2011.